

Limoges, June 28, 2017, 7.30 am CET (Paris time)

**Legrand pursues the reinforcement of its positions in  
digital infrastructure by acquiring<sup>1</sup>  
Milestone AV Technologies LLC in the United States**

Legrand today announced that it has signed an agreement to purchase<sup>1</sup> US company Milestone AV Technologies LLC (“Milestone”), a frontrunner in Audio Video (AV) infrastructure and power, a high-value segment of the digital infrastructure market.

**Highlights:**Milestone – Strong leading positions in high-value segments

- Attractive business driven by megatrends (100% of Milestone sales are in new business segments<sup>2</sup>);
- Strong market positions, with over 75% of Milestone sales made with products #1 or #2 in their market;
- Well known, trusted and innovative brands with a best-in-class customer-centric approach;
- A knowledgeable and experienced management team;
- Highly complementary to Legrand’s existing positions in AV in the US (Middle Atlantic Products brand);
- In 2016, sales of \$464m, adjusted<sup>3</sup> operating<sup>4</sup> margin of 21% and free cash flow<sup>4</sup> at 12.5% of sales.

A synergetic move with Legrand

- Mid-term sales synergies through leverage of customer coverage and development of AV infrastructure and power business in other distribution channels and geographies;
- Short and mid-term cost synergies in purchasing, production and administrative areas.

Financial rationale

- Legrand’s financial criteria all met based on an EV (Enterprise Value) of \$950m, net of a discounted<sup>5</sup> tax benefit<sup>6</sup> of \$250m:
  - 2016 EV/EBITDA<sup>4</sup> of around 9.0x;
  - Mid to high single-digit accretion on EPS before PPA<sup>7</sup>;
  - Value creation within 3 to 5 years.
- Financed by new debt; post-deal robust balance sheet; net debt/EBITDA<sup>8</sup> expected at less than 2.

**Gilles Schnepf, Chairman and CEO of Legrand, commented:** “*The acquisition<sup>1</sup> of Milestone allows Legrand to pursue its ongoing reinforcement in digital infrastructure, more specifically in the high-value AV infrastructure and power segment in the United States where Legrand is already #1 in AV enclosures with its Middle Atlantic Products brand. Milestone will bring Legrand leading positions in commercial and residential AV mounts, as well as in projector screens enabling the Group to provide AV customers with scalable, end-to-end offerings.*”

*Milestone’s robust leading positions, well-known brands, businesses supported by strong social and technological megatrends, customer-centric approach, ongoing innovation, and active CSR<sup>9</sup> policy are key assets which make this acquisition a highly valuable move that ‘ticks all the boxes’ of Legrand fundamentals.”*

<sup>1</sup> Subject to standard conditions precedent.

<sup>2</sup> Digital infrastructure, energy efficiency, assisted living and home systems.

<sup>3</sup> Adjusted Legrand definition: adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions and, where applicable, for impairment of goodwill.

<sup>4</sup> Excluding non-recurring items.

<sup>5</sup> Discounted at a rate of 7.0% over the period of goodwill amortization (15 years).

<sup>6</sup> US tax benefit resulting from standard goodwill amortization starting in 2017. Gross price paid of \$1,200m less a \$400m cash tax benefit discounted to \$250m.

<sup>7</sup> Purchase Price Allocation.

<sup>8</sup> Including Milestone’s EBITDA on a full year basis.

<sup>9</sup> Corporate Social Responsibility.

## **Milestone – Strong leading positions in high-value segments**

The global AV infrastructure and power market accounts for more than \$5bn of Legrand's total digital infrastructure market of over \$15bn<sup>1</sup>.

Milestone, which is a frontrunner in the US AV infrastructure and power business, has built its success on disciplined acquisitions of leading well-known brands: Chief, #1 in commercial AV mounts; Sanus #1 in residential AV mounts; and Da-Lite, #1 in projector screens. Over 75% of Milestone sales are generated by products that rank #1 or #2 on their markets. Combined with Legrand's #1 positions in AV enclosures in the US under the Middle Atlantic Products brand, Milestone will enable the Group to provide US customers with scalable, end-to-end offerings on a market driven by both social megatrends (communication, security, distance and collaborative working etc.) and technological megatrends (digitalization, new display technologies, streaming technologies etc.).

Ongoing R&D efforts (more than 100 professionals in engineering and product development, over 360 patents and more than 5,000 SKUs) focusing on AV integrators' needs – safety, ease of installation, reliability – and a customer-centric approach (100 direct sales & technical support and 90 dedicated customer care personnel, digital best customer training, excellent delivery service) have helped develop strong customer loyalty and made Milestone's brands the "preferred partner" for about 80% of the SCN<sup>2</sup> top 50 AV integrators.

Milestone has also built lasting trust-based ties with strong distribution channels offering wide geographical coverage and access to a variety of end markets (corporate, hospitality, houses of worship, education, government and retail stores/restaurants). These have helped distribute Milestone products both efficiently and widely.

Moreover, Milestone has an active CSR<sup>3</sup> policy based on three pillars: environmental responsibility through eco-friendly product development and three ISO-14001-certified operating facilities; socially responsible sourcing with robust CSR<sup>3</sup> audit programs of its supplier base as well as safety and responsible practices by suppliers; and community involvement through special consideration for activities in which Milestone employees are involved.

Based in Eden Prairie, Minnesota, Milestone recorded 2016 revenues of \$464m, 90% in North America. Over the same period, adjusted<sup>4</sup> operating<sup>5</sup> profit and free cash flow<sup>5</sup> stood at respectively 21% and 12.5% of sales. Milestone has about 1,000 employees and has locations in the United States, Canada, China, Hong-Kong, Australia and the Netherlands.

## **A synergetic move with Legrand**

Legrand's acquisition<sup>6</sup> of Milestone should generate mid-term sales synergies. Milestone's strong relationship with 6,000 professional AV dealers should build up Legrand's existing basis of about 3,500 dealer relationships tied to its Middle Atlantic Products brand. Likewise, Legrand's strong relationship with electrical, IT and data communication distributors could allow Milestone to move in these distribution channels. With locations in North America, Europe and Asia, Milestone could offer Legrand opportunities to expand its AV infrastructure and power business into new geographical areas.

Resulting operations should also benefit from short to mid-term cost synergies stemming from (i) direct and indirect sourcing with scope for combining purchasing platforms, (ii) streamlining of production facilities particularly in Asia, and (iii) opportunities to optimize administrative areas.

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<sup>1</sup> Legrand's accessible market is now estimated at more than \$115bn, split between electrical infrastructure for less than \$100bn and digital infrastructures for more than \$15bn.

<sup>2</sup> Systems Contractor News.

<sup>3</sup> Corporate Social Responsibility.

<sup>4</sup> Adjusted Legrand definition: adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions and, where applicable, for impairment of goodwill.

<sup>5</sup> Excluding non-recurring items.

<sup>6</sup> Subject to standard conditions precedent.

## Financial rationale

Legrand is acquiring<sup>1</sup> Milestone for an Enterprise Value (EV) of \$950m, net of a discounted US tax benefit of \$250m<sup>2</sup>, resulting from standard goodwill amortization starting in 2017. Legrand's cash tax rate and free cash flow will benefit fully from this tax gain which will have no impact on Legrand's IFRS P&L (either on income tax rate or net income).

Based on this EV of \$950m, the Milestone acquisition<sup>1</sup> meets all of Legrand's financial criteria:

- 2016 EV/EBITDA<sup>3</sup> of around 9.0x;
- mid to high single digit accretion on EPS before PPA<sup>4</sup>;
- value creation within three to five years.

Legrand should keep a robust balance sheet structure with an expected post-deal net debt/ EBITDA<sup>5</sup> ratio of less than 2. The financing of the Milestone acquisition<sup>1</sup>, which ultimately will be made via new debt, is fully secured in the short term by a commitment letter for a bridge-to-bond loan and by Legrand's existing credit facilities.

## Milestone ticks all the boxes of Legrand's key fundamentals

The acquisition<sup>1</sup> of Milestone represents a strategic move for Legrand based on the two companies' strong business complementarities. Driven by sustained social and technological megatrends, both Legrand and Milestone have built strong leading positions in their respective markets.

Legrand and Milestone products are known for their reliability, ease of installation, valuable design and functionalities, and although they represent a small share of installation costs, they are critical to the overall infrastructure in which they are installed. Both Legrand and Milestone thus focus on innovation. In particular, Milestone's annual R&D to sales ratio is consistent with Legrand's long-term average ambition of 4% to 5%. Along with technical excellence, best-in-class customer relationships based on training, technical support and short lead-time have built lasting customer loyalty to both companies' brands.

Lastly, both Legrand and Milestone have overall strategies aiming at robust financial discipline but also take an integrated approach to their respective businesses through strong CSR<sup>6</sup> commitments.

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<sup>1</sup> Subject to standard conditions precedent.

<sup>2</sup> Discounted at a rate of 7.0% over the period of goodwill amortization (15 years). The gross amount of the tax benefit is \$400m.

<sup>3</sup> Excluding non-recurring items.

<sup>4</sup> Purchase Price Allocation.

<sup>5</sup> Including Milestone's EBITDA on a full year basis.

<sup>6</sup> Corporate Social Responsibility.

**AUDIO WEBCAST**

- A live and replay teleconference on the Milestone acquisition<sup>1</sup> will take place on **June 28, 2017, at 8.45 am CET (Paris time)**
- The teleconference will be available on Group website: <http://www.legrand.com/EN/>

**Key financial dates**

- 2017 first-half results: **July 31, 2017**  
“Quiet period<sup>2</sup>” starts July 3, 2017
- 2017 nine-month results: **November 7, 2017**  
“Quiet period<sup>2</sup>” starts October 7, 2017

**ABOUT LEGRAND**

*Legrand is the global specialist in electrical and digital building infrastructures. Its comprehensive offering of solutions for commercial, industrial and residential markets makes it a benchmark for customers worldwide. Drawing on an approach that involves all teams and stakeholders, Legrand is pursuing its strategy of profitable and sustainable growth driven by acquisitions and innovation, with a steady flow of new offerings—including Eliot\* connected products with enhanced value in use. Legrand reported sales of more than €5 billion in 2016. The company is listed on Euronext Paris and is a component stock of indexes including the CAC 40, FTSE4Good, MSCI World, Corporate Oekom Rating, DJSI World, Vigeo Euronext Eurozone 120, Europe 120-France 20 and World 120, and Ethibel Sustainability Index Excellence. (ISIN FR0010307819).*

<http://www.legrand.com>



*\*Eliot is a program launched in 2015 by Legrand to speed up deployment of the Internet of Things in its offering. A result of the group's innovation strategy, the Eliot program aims to develop connected and interoperable solutions that deliver lasting benefits to private individual users and professionals.*

[http://www.legrand.com/EN/eliot-program\\_13238.html](http://www.legrand.com/EN/eliot-program_13238.html)

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<sup>1</sup> Subject to standard conditions precedent.

<sup>2</sup> Period of time when all communication is suspended in the run-up to publication of results.