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EDITED TRANSCRIPT

WBSV.VI - Wienerberger AG to Discuss the Strategic Rational and Financial Implications of the Acquisition with Meridian Brick LLC Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. I'm Hailey, your chorus call operator. Welcome, and thank you for joining the conference call on Wienerberger's latest acquisition.

(Operator Instructions)

And I would now like to turn the conference over to Anna Maria Grausgruber, Head of Investor Relations. Please go ahead.

Anna Maria Grausgruber - Wienerberger AG - Head of IR

Thank you, Hailey. Ladies and gents, a warm welcome to the conference call regarding the acquisition of Meridian Brick, our largest transaction in the last 15 years, and a big value-creating growth step for Wienerberger. Our CEO, Heimo Scheuch, will give you a short executive or summary of the presentation, which you can also find on our Home page, and we will then jump directly to Q&A and be ready for your questions. I hand over to Heimo Scheuch for his summary.

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Thank you, Anna. Thank you for all of you being on the call. I think we have talked in -- a lot in the last couple of months about strategy and development of the Wienerberger group, so I will be short. This step in North America fits perfectly in our strategy to enhance and strengthen our North American operations.

It doubles in size, so we approach more than \$800 million turnover in North America, which is actually in line with our expectations. I always said that division with about \$1 billion turnover in North America fits right for Wienerberger. So we are actually in 1 step have made here, a huge development forward.

It does not only represent the consolidation of the industry in North America, which we need, obviously, in order to improve margins and improve profitability, but and above all, it puts us in a very strong position to create the #1 player in North America when it comes to masonry supply and solutions in these specific markets.

North America represents, for us, a growth region. We do see potential for further growth in the years to come, especially in the areas in the sort of North American agglomerations where we have now strong positions. And where we can sort of develop further our product portfolio, which I will elaborate on in a minute. And it puts us also in a strong perspective when it comes to -- is cheap performance to improve our performance in North America, even further.

When you look at the transaction itself, it gives us also next to these opportunities, 2 very interesting opportunities for growth. First of all, we enter the largest brick market in the U.S., that's Texas, as such, with the highest consumption of brick and the highest share of brick in the world. And therefore, we see this essential for Wienerberger's growth in the future. So this base in Texas, and especially in the South of the United States where brick shares are high and where we can develop our system approach further, is very important for us in the future.

Secondly, when we move to Canada, the very important Ontario market around Toronto is a key market for us already with our artificial stone business of Arriscraft, where we have seen strong performance of last decade and where we have improved our footprint.

And adding on the strong operations of Meridian in brick in this area gives us a unique portfolio in this very important region, and we are set for growth in this very particular market as well. So again, a strong footprint.

We take over about 20 production locations, most of them are very well invested. And we can integrate them very quickly in our network and add-on this important network to our existing one, and create here manufacturing synergies. We can, obviously, allocate products better throughout this network and create efficiencies. We'll integrate those sites very quickly in our optimization project that we are currently putting in place already when we look at 2023.

So the performance enhancement measures will be part of this improvement program in these particular units as well. And as I said, from a commercial perspective, it puts us in a position where we can really tackle the market in this very important regions for bricks with the sort of strength that we have now, where we can do and continue to develop our direct distribution in certain areas and indirect in other.

So it's a mixed approach, and this depends, obviously, on the local market. It will be different in Tennessee from the ones in, for example, Alabama or from Louisiana to Texas because this has historically grown. And we will sort of use these strong brands that we have now in place with our market approach to foster our performance there.

If you look in the presentation, you have a good overview on the strong brick consuming areas of the United States where we are present now and where we have seen also a serious comeback when it comes to housing starts and the new residential housing market.

By the way, and this is, I think, very important for this call and for you in the future, Wienerberger's exposure in the United States will not focus only on residential and new residential housing, and this is for 1 and 2 family houses, obviously. But -- and this is the big sort of step forward also on commercial because this transaction and our footprint now in North America puts us in a position where we can, obviously, tackle this market much better when it comes to commercial applications.

And this goes from hospital to schools, some other buildings where we have obviously an excellent product range to satisfy this market as well. And this is, I think, also very important aspect for you in the future as well. The renovation market with our sort of unique pushing of thin-brick solutions that we can use on the facade, on the inside or on panelization when it comes to bigger and quicker and faster building segments, especially in the commercial market.

So again, here, a very strong set of products and solutions that enables us to create a much more performant business in the United States and in Canada. If you look at the potential synergies that we will really realize among the 2 businesses, obviously, as I mentioned already in the plant network. We'll put some plants together, closed down some of the plants of the older ones, and therefore, not have the maintenance costs and the maintenance investments to take place in these old plants. We will reduce overhead, especially because we merge the 2 companies.

Our head office is in the East of Tennessee, where, obviously, labor costs are lower and where we have strong loyalty and therefore -- and the incredible strong performance when it comes to the back office where we can optimize structures throughout the business and concentrate there -- here within a lean-back office, all the operations.

We can, obviously, also from a commercial standpoint of view, as I said earlier, streamline the operations and focus on direct distribution in certain areas and indirect and others. So here, obviously, we have substantial potential to grow our performance in this area again.

And over the next 3 years, we are confident to realize about \$20 million of synergies between the 2 businesses, which we see \$5 million in '21, \$15 million in '22 and the full package of \$20 million in '23.

Obviously, in the first year, and this goes without saying, you have a certain sort of restructuring cost effort that you will -- or we will put in place with around USD 10 million in order to restructure and integrate the businesses. So this is a onetime effect in '21 to take into consideration.

As I said, very important, strong commercial business, strong also in road in the renovation market with the current offering. We have a lot of trading products that we can add-on on our existing product portfolio. And the digital tools that the 2 companies have created now, in the U.S. especially, we can merge them and enhance, therefore, our competitiveness in the local market.

A strong local footprint, which enables us to keep hauling short in the sense of not too much logistical costs, which is important these days also in the U.S., and where we create a very strong local machinery solution provider.

So when you look at our business in the United States or in North America, financially speaking, we have here from the 2 businesses, which are more or less the same. Meridian is capacity wise and sales-wise, a little bigger, but from the profitability, weaker.

And here, we see potential, obviously, to bring up these operations to the level of ours. So obviously, we see improvement here to be made in the next years. So the potential here is also to create a business of about \$50 million of EBITDA and \$20 million of synergies on top which will then, without any market development because I sort of keep this out of the equation right now, I assume stable markets, so I see here a potential of more than USD 120 million EBITDA of the 2 businesses without any sort of additional market and market development or organic growth.

So this is, I think, the way forward. We've given you also a first glance at how we see this development, EBITDA wise, over the next 3 years, '21, '22 and '23, to reach this \$120 million potential. And again, I stress here, this is a potential without organic growth and market growth because we'll give you, as always, on the Wienerberger side, an update year-by-year and a clear guidance in this market.

We have realized this transaction for a very attractive purchase price, \$250 million. Keep in mind that this is a price which includes nonoperating real estate. We have identified in this transaction of nonoperating real estate of about USD 60 million. So if you take this into consideration, we are short of USD 200 million of purchase price of the ongoing operations. This, obviously, with this high potential of EBITDA, creates no goodwill on the contrary, so we have here, I think, a strong basis for further growth in the future.

All in all, I think it's an exciting story for Wienerberger. It's a story that brings us forward, which closes the gap that we had in North America. And realizing these days, I think, a transaction that has a transaction multiple at the end of the day after realizing the integration and realizing the synergies, which is below 5 is, I think, an excellent multiple.

And if I may say this on a personal note, I'm excited to work together with the team in North America to take on this challenge and to realize these synergies and develop Wienerberger further in the United States and in Canada to be a leading company when it comes to masonry applications, and obviously also when it comes to ESG performance in the both markets.

So all in all, I think this puts us in a -- on a new level when it comes to the performance in North America, but also as a group, it shows clearly that we are determined to close gaps and fill the sort of the points where we need to improve quickly and move rapidly, and have also the right patience in negotiations to get the best deal for Wienerberger. And I think now after this short introduction and an overview of the transaction, I'm obviously more than delighted to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And the first question is from the line of Matthias Pfeifenger of Deutsche Bank.

Matthias Pfeifenger - Deutsche Bank AG, Research Division - Research Analyst

(inaudible), Heimo, I have a couple of shorter ones. Firstly, on the plant network. Now a couple of the areas here, they seem quite dense with a couple of maybe too many plants. You mentioned some restructuring, some closures. Is that all baked into the \$10 million? And will this all be done in '21? Or can we expect some more later-staged actions too?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Answering this question very quickly. Yes, they're all packed into this \$10 million that will sort of clean up the situation as we wanted. For the moment, please remember that we are also running in certain areas already with certain capacity utilizations, that means higher than 75% to 80%. So again, here, I think we're in good shape. So the older one will be taken out. And the \$10 million are sufficient to address the current market demand level.

Matthias Pfeifenger - Deutsche Bank AG, Research Division - Research Analyst

And the timing of the nonoperating sales, is that more back-end loaded? Or is that -- opportunistically basically? And what is it? Is it land? Or is it -- I don't know, can you maybe...

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Real estate. It's real estate. It's real estate in Canada and the U.S. We will sell it off as quickly as possible. It doesn't depend only on us because Matthias, as you're well aware, it depends on the potential buy, and we don't want to give away to real estate. So we will certainly work on this to get the max value out of it, but it's not back-end loaded.

Matthias Pfeifenger - Deutsche Bank AG, Research Division - Research Analyst

And when you say the \$50 million is a targeted performance or operating earnings level, is that 2020 basically? Or is that '21? Because you also say there's no market growth (inaudible).

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

No, I said -- yes, I said basically, I take from a hypothesis -- your assumption -- base the performance of 2020. And then obviously, our performance as an example of 50, and their performance is obviously substantially lower. And over the 2 years, we want to increase their performance to the level that I've indicated, yes?

Matthias Pfeifenberger - Deutsche Bank AG, Research Division - Research Analyst

Okay. And on top of that, there's the synergies. Okay.

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Correct. Great.

Matthias Pfeifenberger - Deutsche Bank AG, Research Division - Research Analyst

And then the last one. Housing starts, I mean, has seen quite a very positive development over the last 3 months. Read a couple of articles on the working from home, people moving out of New York and moving to Rochester and buying, I don't know, 4 bedrooms for \$300,000. Is that kind of a bit of a, I don't know, temporary benefit that might fade in the future? Or is that really a new momentum there in the U.S. housing market?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

I think, Matthias, 2 things. When you look at the U.S. housing markets, we can't say that over the last decade, it has been overbuilt. You remember, the billing rates were always below around \$1 million. We have now sort of achieved \$1.3 million. You know all the statistics, the discussions, how they -- how demography is moving, how people are moving around the U.S. I think, obviously, in certain areas, and that's why I stress it. In certain areas, you will see tremendous growth because people are moving to these areas, Texas is one of this.

You know that Texas is a very favorable tax situation and also business-oriented situation where a lot of Californian people move in because they are tired of the government there, taxes, et cetera. So again, you see certain areas of the United States, and especially the ones where we are operating in with our operations, will take benefit of it.

You will have growing areas like the metropolitan Toronto area because, obviously, of economic reasons. So I think we -- what I'm trying to say, we are well positioned for all these growth areas that where we see positive developments over the next decade. I'm sure that this a trend that is long-term and not short term.

Obviously, you will have short-term trends of moving out of cities in certain areas because it's cheaper, it's more healthy for the people, they can have a better living.

And obviously, our way of working has changed dramatically. So I think it is certainly not the short term, but the medium-term trend that we see also in North America.

Operator

And the next question is from Yves Bromehead of Exane.

Yves Brian Felix Bromehead - Exane BNP Paribas, Research Division - Analyst of Building Materials

It seems Christmas is a bit ahead this year for you guys because it's says quite a milestone. I guess just a few questions from my side. Number one, I would just like to understand what was the driver for this acquisition right now? Because it seems that you're essentially going to benefit from all the restructuring angle that they haven't finished, but it seems that they had already started this. So is it just correct to assume that Boral was a bit of a distressed seller and you actuated this kind of -- this process now?

My second question is just on trying to understand how you think you can get from the current EBITDA of \$20 million or whatever from a merge into \$50 million? Just trying to understand what's the pieces of the pie here, just more granularity on that. And finally, I appreciate you're always relatively cautious, but the endpoint of 2023 would imply quite a small double-digit margin I think the last time you spoke about the U.S., you often referred that this market could look more and more like Western Europe. Can it actually look like the U.K.? Is there enough of a consolidation after this for potentially the brick markets in the U.S. to look like the U.K.?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Thank you for your question, which I appreciate very much. And I'm -- Christmas. I as a child, if I may remember with my old age, I looked at Christmas of when I got a present. This is obviously some work that we get. And you're right, there's a unique opportunity, but we are -- now, we are glad and we are happy.

We actioned this because we thought that we are the better owner for this business. And obviously, the current situation that Boral is going through and Long Star cleaning up its funds, was the right moment to do so.

And I think they -- when you look at the purchase price, is an acceptable level and is for us, obviously, a value creative one, and for them, an acceptable one. So we have a win-win situation. They have -- correctly what you said, they have done the basics.

They've invested in the plants, which was very important. They've done the right things. But now obviously, putting the businesses together, realizing the synergies is now our job. And I think our management in North America, and we as experienced team out of Europe, can assist, can help can steer, can mentor it, and can exercise it and realize it rather quickly.

So I think it's the best moment that we could imagine to get the business at the right price. And therefore, I must say, I've been myself 2 weeks ago in North America, have traveled there and have visited all the plants, or mostly what I can, I'm allowed to go to from a regional perspective.

But I see, obviously, and I was able to see with my own eyes, the potential there because, obviously, when you take these plants that have not been yet optimized to the level our plants are, and with the expertise and the the strong sort of knowledge that we have to put in these plants, we can realize substantial improvements.

That's why I'm confident that we -- from the mid-20s to the 50s can improve the EBITDA from the current run rate to the planned one. So it's a mixture of, obviously, better performance, better utilization rates and some investments that are needed to improve it. And then obviously, also from a commercial standpoint of view, to run this more efficiently and in an efficient way.

This addresses then your third question. If the U.S. is from a regional perspective were different and cannot be compared to Europe or U.K. but -- and there comes my big but, if you look at the Texan market, you can certainly have margins like in the U.K., that's for sure. Probably in Kentucky and in Iowa and others, the margins will be a little lower, if I may say so. And therefore, you have a mixture and an average rate that is not at the levels of certain very highly performing European or Western European markets.

But I will say, at this stage we are certainly going to improve them. When I gave you, it's not a cautious approach, it's the one that you can sort of evaluate and sort of appreciate yourself that we base ourselves not on sort of future-looking and forward-looking estimates on organic growth. It's a very simple, straightforward, down to earth approach where we say, improvement measures that we can do ourselves, it's our homework, it's our self help, if I may say so. And this leads to this \$120 million.

So I think you will appreciate that at this stage of a transaction and at the very early stage, I think it's a strong commitment from us and gives you a good insight on how we operate businesses and gives you a very transparent picture, what we want to achieve.

Yves Brian Felix Bromehead - *Exane BNP Paribas, Research Division - Analyst of Building Materials*

Okay. Maybe just a quick follow-up on that last point. I mean, in the U.S., if I look at your previous reporting lines pre crisis, clearly, you were at about 20%. I mean, with this level of consolidation, I appreciate you're saying flat market development into your outlook, but if we were to see housing starts going to about \$1.6 million or whatever, with the current structure, is it fair to assume that the precrisis levels of EBITDA margins are reachable?

Heimo Scheuch - *Wienerberger AG - Chairman of Managing Board, MD & CEO*

This is a fair assumption, yes.

Operator

The next question is from Cedar Ekblom of Morgan Stanley.

Cedar Ekblom - *Morgan Stanley, Research Division - Executive Director & Equity Analyst*

I've got 1 housekeeping question and then it's just a question on the potential for market improvement again. So the first question is, can you just touch on the competition process that you're going to have to go through? And if you think that there is potentially any remedies that we need to think about?

And then the other question is when you look at the footprint of your assets and Meridian's assets, I think it's Slide 7, it looks like you don't really have a presence in Texas to start with. And yet we're focusing on Texas as a market where there's potentially quite a lot of upside.

Would it be fair to say that in order to get the upside in the Texas market, it's really just about running those assets better? And that actually the sort of market synergies come more from your assets in the Southeast and in Canada, would that be a fair conclusion?

Heimo Scheuch - *Wienerberger AG - Chairman of Managing Board, MD & CEO*

To your second question, yes, we will run them better. You're absolutely right. And that comes out a substantial part of improvement from the manufacturing. But I'm confident after I've been analyzing with the team, the Texan operations of Meridian that we can also do better in -- on the commercial side. So there's optimization also there.

On the synergies side, you're absolutely right that on the commercial side, there are more synergies in the Southeast and in Canada, you're correct, and I confirm. And I think if -- that hopefully addresses your second question, right?

Cedar Ekblom - *Morgan Stanley, Research Division - Executive Director & Equity Analyst*

Yes.

Heimo Scheuch - *Wienerberger AG - Chairman of Managing Board, MD & CEO*

Now the first one is about the -- sorry, if I sort of -- it lapsed a little bit to me. What, Anna?

Anna Maria Grausgruber - *Wienerberger AG - Head of IR*

The open process?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

The open -- the antitrust. Yes, the antitrust situation. Antitrust situation is such, in Canada, we have no approvals required. So this is an easy one. And in the U.S., we will have sort of our filing will take place in the next days or so.

However, we, with our lawyers, are confident that it should be rather sort of straightforward approach, but I'm always cautious with this as a trained lawyer myself that I must say when you are in the hands of administration, then you sort of need to look at this.

But we -- if I say this with my own words, we are not sort of foreseeing any remedies at this stage. But that's our personnel, or if I say so, our analysis at this stage. Yes.

Operator

Next question is from Markus Remis of Raiffeisen Bank International.

Markus Remis - Raiffeisen CENTROBANK AG, Research Division - Financial Analyst

A few follow-ups, please. Firstly, on the capacity utilization, can you give us a figure for Meridian as it is at the moment? And how much do you intend to reduce the capacity, I mean, the wake of the plant closures?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Not yet because let us make here a more detailed analysis. The capacity utilization in Meridian is substantially lower than the one on General Shale Wienerberger side, that's for sure. And this is obviously one of our points that we want to address. And this has to be addressed regionally. It's no use to talk now overall because it's a regional thing. And therefore, the closures of some plants will help us tremendously and will address the situation clearly better.

It's a clear target from our side to come to an overall capacity utilization in North America around 80% rather quickly.

Markus Remis - Raiffeisen CENTROBANK AG, Research Division - Financial Analyst

Okay. Then coming back to this targeted Meridian performance. I mean, the \$20 million from my perspective is synergies. Looking at the combined cost base, that looks more than feasible. But how did you do the differentiation between Meridian's stand-alone improvement and synergies?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Well, I mean, if you look at...

Markus Remis - Raiffeisen CENTROBANK AG, Research Division - Financial Analyst

Because to me, it...

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Yes, please. Go ahead.

Markus Remis - Raiffeisen CENTROBANK AG, Research Division - Financial Analyst

Sorry, go ahead.

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

No. I mean, you compare yourself with a competitor, you look at your own cost structure and the plants. You know have a much higher purchasing power as a company. You have a much higher degree of efficiency when it comes to overhead, also in manufacturing. You look at your sales part where you can do better things.

Obviously, you have to distinguish between synergies, but also on the other hand, about the underlying performance of business. And if you run the plant more efficiently and get out here and more from the manufacturing side, the overhead side, and as I said, the cost side, especially when you talk about purchasing, then you get to the sort of improvements that we see there.

And if you run certain areas with undercapacity or, for example, make smaller investments to optimize them and bring them from an energy consumption level to the level that we are having currently, then you get to these numbers that I've indicated to you.

Markus Remis - Raiffeisen CENTROBANK AG, Research Division - Financial Analyst

Okay. Very clear. One book-keeping question, please. Can you provide us with a figure on the depreciation level? Is that comparable to what you have in North America? Or is it really different?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

You mean the Meridian one?

Markus Remis - Raiffeisen CENTROBANK AG, Research Division - Financial Analyst

The Meridian, yes.

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

It's lower than ours.

Markus Remis - Raiffeisen CENTROBANK AG, Research Division - Financial Analyst

Okay. And last question, on your further M&A endeavors. I mean, are you now going back to, like, the bolt-on type we've seen in recent years or are you still looking for, say, targets in the triple-digit million range?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

No, it's not. I think we will take it -- and I say it's not opportunistic, but we address a certain blank areas or areas where we see potential for improvement. I could, obviously, tell you also that -- or it's logic that Meridian is a bolt-on. It's a big bolt-on because we are already there, and we integrate it in our operations.

But at the end of the day, you're absolutely right. It's a midsized -- from Wienerberger standards, it's historically, I think, a bigger transaction. But still, when I look at from a now bigger perspective Wienerberger midsize M&A and -- mid-sized M&A, and I think it's a logical one to do.

It doesn't mean that we do this every 2 weeks, not at all. We will, certainly, when we look at future M&A, look at opportunities that we see mostly in Europe right now because North America, we have now addressed for a while, and they need to work on the performance improvement.

But in Europe, as opportunities will arise and they will arise in piping, they will arise in the -- on the billing solutions side, and we'll continue to pursue those as they come.

Operator

The next question is from Yassine Touahri of On Field Investment Research.

Yassine Touahri - On Field Investment Research LLP - Founding Partner

Yes. Good, just a couple of questions. First, what kind of additional CapEx do you expect following this acquisition? I think you probably will have some additional maintenance CapEx. And you also suggested that you want to make some of those plants more efficient. So that would be my first question.

And the second question would be regarding the fuel that those plants are using. Are they running on gas? And do you have any view about their hedging policy? Are they buying spots? Or are they hedged for 2021?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Thank you for your 2 questions. I think when you look at the hedging policy and gas, I think we need to sort of analyze this in much more detail for the moment. Obviously, they have also bought forward some of the gas. They are all on gas as well. So there's no difference to ours. And as I said, when you look at synergies and cost efficiencies, you will realize them over 3 years. So certainly, not everything in '21. So this is the process that develops.

And I'm not in a position today to give you a clear answer there on every detail yet. You need to bear with me because, obviously, we are coming out of due diligence process, but not in the detail what, in every plant, obviously, the hedging policy is at this stage.

But we know what our potential is and when we will sort of realize it that what we have tried to give you in our synergy and improvement analysis.

Secondly, on the CapEx front, as I said, the plants that we want to keep are well invested. And if -- and in the event we want to optimize it, we will certainly do so. It will be then in a very straightforward and transparent way. You recall that we have guided from a group's perspective, the \$80 million of special CapEx for the whole group in the next years, every year for 3 years.

And I think when we look at Meridian, this will be roughly included, probably in some years, probably a little above this. But at the end, it plays out with maintenance and special CapEx, so nothing to worry about dramatically.

Operator

The next question is from Anastasia Solonitsyna of UBS.

Anastasia Solonitsyna - UBS Investment Bank, Research Division - Equity Research Analyst of Emerging Banks

Two, if I may, please. Firstly, can you please give us some color on the exposure to end markets in terms of percentage split between non-residential and residential? And the second question is, do you consider any tax loss carryforwards you can use from this business going forward?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

Sorry, I understood the first question, which I will ask -- answer immediately. The second one, you were a little bit cut off for me, so you need to repeat it. The first question was about residential and commercial. Meridian has an exposure of around 30% of its turnover to commercial.

Anastasia Solonitsyna - UBS Investment Bank, Research Division - Equity Research Analyst of Emerging Banks

Okay. That's clear. And the second question was about tax loss carryforward you can use from this business or not.

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

This, I need to sort of investigate a little further, so a second step. But I can tell you that we have so many tax losses carried forward from our own business so that there's nothing to worry about for quite a while, if I may say so, already.

Operator

(Operator Instructions)

And we have a follow-up question from Matthias Pfeifenberger.

Matthias Pfeifenberger - Deutsche Bank AG, Research Division - Research Analyst

You mentioned logistics a couple of times. Now the plant network is obviously more dense. And you said you're going to maybe take a direct route rather than maybe external. So is this the plan? Is this also part of the improvement? And also on pricing, Boral, I think, undermined your pricing some years ago, then it became a bit more stable. And now you have basically -- the power is in your hands. So will you raise prices basically?

Heimo Scheuch - Wienerberger AG - Chairman of Managing Board, MD & CEO

As this is a public call, Matthias, I will not answer the second question. And you understand we are in procedures, and it is always difficult to address this. And the market will decide what happens. And I think I must rest my case at this stage. And you appreciate it, thank you.

And on the other end, yes, we will obviously optimize the allocation of products to different plants, and therefore, reduce the logistical cost, moving products around.

Operator

And we have a follow-up question from Markus Remis.

DECEMBER 18, 2020 / 1:00PM, WBSV.VI - Wienerberger AG to Discuss the Strategic Rational and Financial Implications of the Acquisition with Meridian Brick LLC Call

Markus Remis - *Raiffeisen CENTROBANK AG, Research Division - Financial Analyst*

Yes. Just a quick one, the \$10 million restructuring, that's, I guess, just the cash cost. Do you consider any impairment needs in case of plant closures, and so on, in the restructuring process?

Heimo Scheuch - *Wienerberger AG - Chairman of Managing Board, MD & CEO*

You're absolutely right, the \$10 million cash costs and from the plants that we acquire, we don't see any need of any asset impairment. So that's one thing. And if we were to close 1 of our plants, it would be also a minor one, I think, from an impairment -- it's asset impairment. Yes.

Operator

And...

Anna Maria Grausgruber - *Wienerberger AG - Head of IR*

Sorry, I'll go ahead. I don't see any more questions in the line. Thank you very much, everyone, for dialing in. I think that was it before Christmas and for that year. We wish you a very lovely Christmas season despite the lockdowns and everything that we are facing. I hope you have some rest, and we can see you soon again in 2021. Wish you a good afternoon. And thank you for dialing in. Goodbye.

Operator

Ladies and gentlemen, the conference has now concluded, and you may disconnect your telephone. Thank you for joining, and have a pleasant day. Goodbye.

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