



Annual Shareholders' Meeting - 2016



Luke Moriarty - Chairman

- Mark Eglinton
- Rodger Fisher
- Stephen Kasnet
- George Karaplis






Adam White
Chief Financial Officer

Jane Paice
Financial Controller

Paul Gillard
Legal Counsel

Sharon Ludher-Chandra
VP Operational Improvement & Growth



A. Chairman's introduction and address

B. Shareholder discussion

C. Resolutions

1. Proposed sale of Tenon's US operating business
2. Capital Return
3. Re-election of Directors
4. Auditor's remuneration

D. Refreshments

2016 Review

- **Restructure to position strategically and lift financial performance**
 - Restructured North American distribution activities - **refine focus**
 - Consolidated warehouse facilities – **improve service and reduce overhead**
 - New demand planning system – **optimise inventory**
 - Widened vendor base – **lower product cost**
 - Expanded geographical footprint – **benefit from US market recovery**
 - Broadened product portfolio – **entrench our leading position**
 - Won new business in National Home Centre – **expand scale of retail channel**
 - Optimised in-house manufacturing – **develop unique capability**
 - Completed Taupo processing site upgrades – **high-value output expansion**
 - Expanded Clearwood sales – **grow reach of core business**

2016 Review ... continued

- **Resulted in materially improved financial performance**

	FY'14 US\$m	FY'16 US\$m	Increase %
Sales	396	430	↑ 9%
Gross margin	92	113	↑ 23%
EBITDA ¹	11	26	↑ 136%
Operating cash flows	6	35	↑ 483%
Net debt	50	36	↓ 28%

¹ Excluding goodwill write-down and Strategic Review costs

2016 Review ... continued

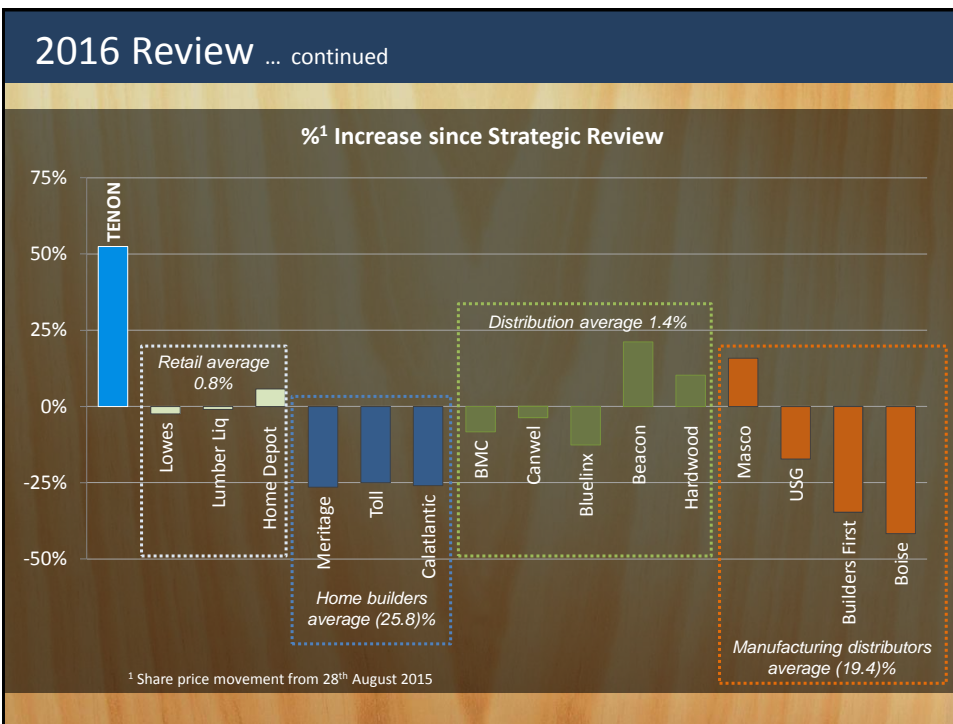
- Tenon share price hadn't recognised the performance potential
- So ... last year we put in place two initiatives to lift value
 1. Commencement of regular dividend payments
 2. Undertaking a Strategic Review of the total Tenon business
- These have had a very positive impact on share price
- Much of the value gap we saw last year has been eliminated

2016 Review ... continued

Tenon TSR performance in US\$ - i.e. our functional currency

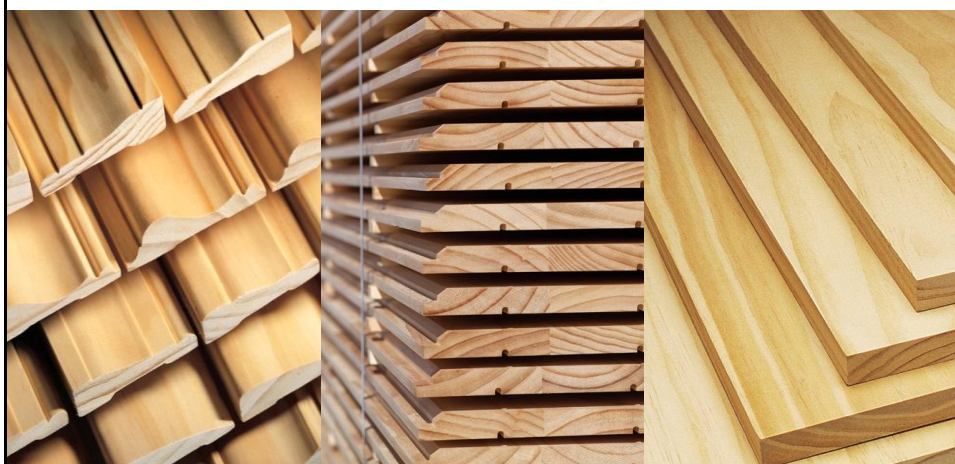
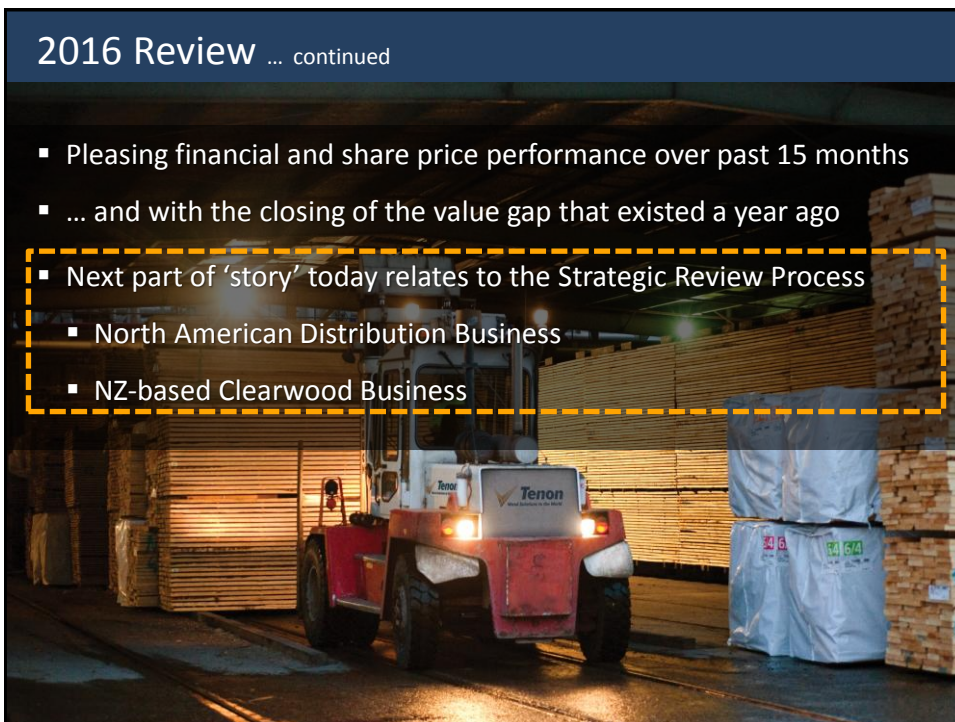
	\$NZ		\$US	
Opening ¹ TEN price	\$2.00	0.6500	\$1.30	
less dividends	-\$0.17		-\$0.08	atax
Base TEN price			\$1.22	A
TEN price today	\$2.60	0.7100	\$1.85	B
			TSR	50%+ B/A

¹ 28th August 2016



2016 Review ... continued

- Pleasing financial and share price performance over past 15 months
- ... and with the closing of the value gap that existed a year ago
- Next part of 'story' today relates to the Strategic Review Process
 - North American Distribution Business
 - NZ-based Clearwood Business



Mark Eglinton – Independent Director

Proposed sale of Tenon USA to Blue Wolf

- **Resolution 1** relates to the sale of Tenon USA to Blue Wolf
- Business for sale is the US operating business
- Comprises three distribution and manufacturing operations
 - Empire
 - Southwest Mouldings
 - Ornamental Products
- Each is 100% owned by NACS USA Inc
- Transaction is for the sale of 100% of the shares of NACS USA Inc

Proposed sale of Tenon USA to Blue Wolf

- USA platform was built through acquisitions in early-mid 2000s
- Strategy was to –
 - Create a distinct US distribution platform - **Tenon USA**
 - To pull NZ-sourced clear products into the US – **Tenon Clearwood**
- Both businesses have since developed far beyond this original intent
- Supply of Clearwood's product is still critically important to each
- However, this can be addressed with a product supply agreement
- Now USA's purchases from Taupo represent
 - 10% of USA's product purchases
 - Less than 20% of Taupo's total sales
- Each business successfully developed its own distribution model

Proposed sale of Tenon USA to Blue Wolf

- The Strategic Review process has been running for 12+ months
- Deutsche Bank have run a rigorous and proper process
- We are comfortable with the completeness of the Review
- The process has yielded a proposed USA sales price of US\$110m
 - A 7.3 x EBITDA multiple on fiscal '16 earnings
 - Within Grant Samuel's assessment of a fair value range
 - ... albeit towards the lower end of the range
 - Deutsche Bank conducted an exhaustive sales process
 - Offers within 2% of the proposed sale value – **"the market has spoken"**

Proposed sale of Tenon USA to Blue Wolf

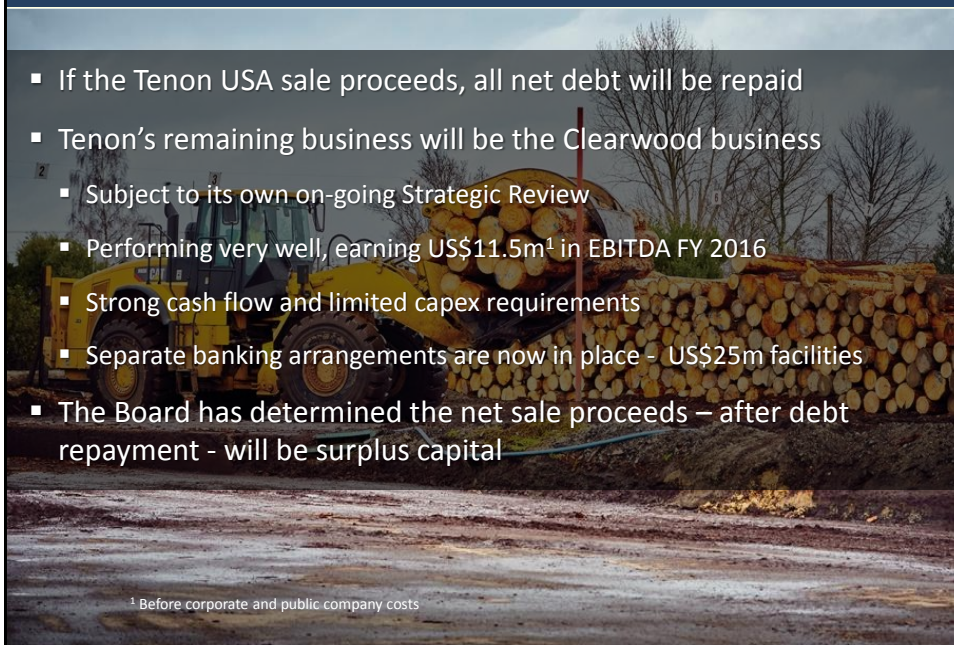
- Grant Samuel value considerations for the Tenon USA value range -
 - A small and specialised business by US standards
 - A high degree of customer concentration with Lowe's
 - Operating in a highly competitive market
 - Earnings are sensitive to small changes in market pricing
 - Operates a specialised and unique service / product offering, which limits "bolt on" industry acquisitions and synergies
 - Also considered actual transaction values in comparable deals
- ⇒ GS determined their range was consistent with comparable deals, adjusted for the above factors

Proposed sale of Tenon USA to Blue Wolf



- The Board considered alternatives to an outright sale
- Unfortunately none could address the fundamental value issues
 - Illiquidity of the stock – over 80% in three hands that do not trade
 - US-specific nature of the underlying story
- ⇒ Difficult to generate NZ-based equity research and ownership
- Determined that if a sales process could achieve a valuation supported by an independent valuation ⇒ **shareholders to decide**
- **Board and Independent Directors encourage you to support it**

Capital Return



- If the Tenon USA sale proceeds, all net debt will be repaid
- Tenon's remaining business will be the Clearwood business
 - Subject to its own on-going Strategic Review
 - Performing very well, earning US\$11.5m¹ in EBITDA FY 2016
- Strong cash flow and limited capex requirements
 - Separate banking arrangements are now in place - US\$25m facilities
- The Board has determined the net sale proceeds – after debt repayment - will be surplus capital

¹ Before corporate and public company costs

Capital Return ... continued

- Proposal is to effect a pro-rata return of capital of US\$71.3m
- Represents US\$1.10 per existing share (NZ\$1.55 at 71 cents FX)
- The return will be undertaken by cancelling Tenon shares under a scheme to be approved today by way of Resolution 2
 - Tenon cancels 1 out of 2 shares held by each shareholder; and
 - Pays every shareholder US\$2.20 for each share cancelled
- If approved, the return will be made in late December
- ... following a final order from the High Court
- Given the size of the capital return and Rubicon's 60% holding, the non independent directors did not vote on the capital return



Resolution 1 - Proposed transaction – Ordinary Resolution
That the sale of the US Operating Business (inclusive of the Supply Agreement) on the terms set out in the Sale Agreement, for a price of approximately US\$110 million, as described in the Explanatory Memorandum, be approved.

Resolution 2 – Capital Return – Special Resolution
That, subject to Resolution 1 being passed, the arrangement relating to the return of capital to the Company's shareholders, as described in the Explanatory Memorandum and the Arrangement Plan, under which the Company will return approximately US\$71.3 million of capital to shareholders, be approved.



Resolution 3a
That Mark Kenneth Eglinton be re-elected as a Director of the Company

Resolution 3b
That Stephen Garfield Kasnet be re-elected as a Director of the Company

Resolution 4
That the Directors be authorised to fix the auditor's remuneration for ensuing year

EBITDA

EBITDA is Earnings before interest, tax, depreciation and amortisations. Although it is a non-GAAP measure, Tenon believes it provides useful information, as it is used internally to evaluate performance and it is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by the difference in asset age and depreciation policies.

Forward-Looking Statements

There are forward-looking statements included in this document. As forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Tenon, its operations, the markets in which it competes and other factors (some of which are beyond the control of Tenon). As a result, actual results and conditions may differ materially from those expressed or implied by such statements. In particular, Tenon's operations and results are significantly influenced by the level of activity in the various sectors of the economies in which it competes, particularly in North America. Fluctuations in industrial output, commercial and residential construction activity, capital availability, housing turnover and pricing, levels of repairs, remodelling and additions to existing homes, new housing starts, relative exchange rates, interest rates and profitability of customers, can each have a substantial impact on Tenon's results of operations and financial condition. Other risks include competitor product development and demand and pricing and customer concentration risk. Further, Tenon is currently undertaking a Strategic Review of its Clearwood business and the results of that Review are not known. The Grant Samuel report issued to shareholders in October provides Grant Samuel's view of value for the Clearwood business. The Strategic Review outcome for the Clearwood business may not result in a sale of the Clearwood business, or a sale that generates proceeds within the Grant Samuel value range.

All references in this document to \$ or "dollars" are references to United States dollars unless otherwise stated.