



# Acquisition of Formica Corporation

23 May 2007



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- ❑ the acquisition by Fletcher Building Limited (“FBU”) of Formica Holding Corp., Formica Luxembourg Holding S.ar.l., and Laminates Acquisition Co. (“Formica”); and
- ❑ the timetable for an issues of ordinary shares (“Shares”) by FBU in connection therewith.

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# Agenda

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- ❑ Transaction overview
- ❑ Overview of Formica
- ❑ Rationale for acquisition
- ❑ Acquisition financing
- ❑ Conclusion

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## SECTION 1

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# Transaction overview

# Transaction overview



- ❑ Fletcher Building Limited (“FBU”) has agreed to acquire Formica Corporation (“Formica”) from private equity investors, Cerberus Partners and Oaktree Capital
  - Exclusive process with formal due diligence conducted over four months
  - Subject to formal US merger control clearance
  - Settlement expected 2 July 2007
  
- ❑ Formica is a leading global high pressure laminates (“HPL”) manufacturer comprising 3 geographical business units
  - Asia
  - Europe
  - North America
  
- ❑ Purchase price is US\$700m (NZ\$959m)<sup>(a)</sup>, with additional contingent payments up to a total of US\$50m (NZ\$68m), based on Formica completing an agreed restructuring plan
  - Represents an acquisition multiple of 7.2x 2008F normalised EBITDA including anticipated FBU synergies
  - Expected to be >7% EPS accretive in first year of ownership <sup>(b)</sup>
  
- ❑ Meets all aspects of FBU’s well established acquisition criteria
  - FBU has been monitoring this opportunity for more than three years

Notes:

(a) Assumes NZD/USD exchange rate of 0.73

(b) Based on 2008 broker consensus for FBU, and Formica 2008 normalised EBITDA and including synergies to FBU

## SECTION 2

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# Overview of Formica

# Overview of Formica - product range



- ❑ The Formica brand name is recognised globally as the leader in HPL
  - FBU acquired Australian and NZ rights to the Formica brand with the Laminex acquisition in 2002
- ❑ Predominantly focused on HPL, but also has emerging positions in complementary products - solid surface and stone

HPL



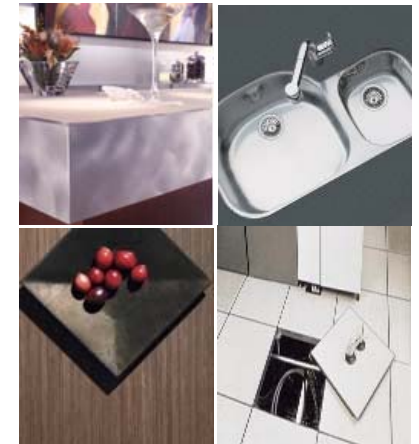
Solid surface



Stone



Other \*



% of  
total  
revenue

90%

7%

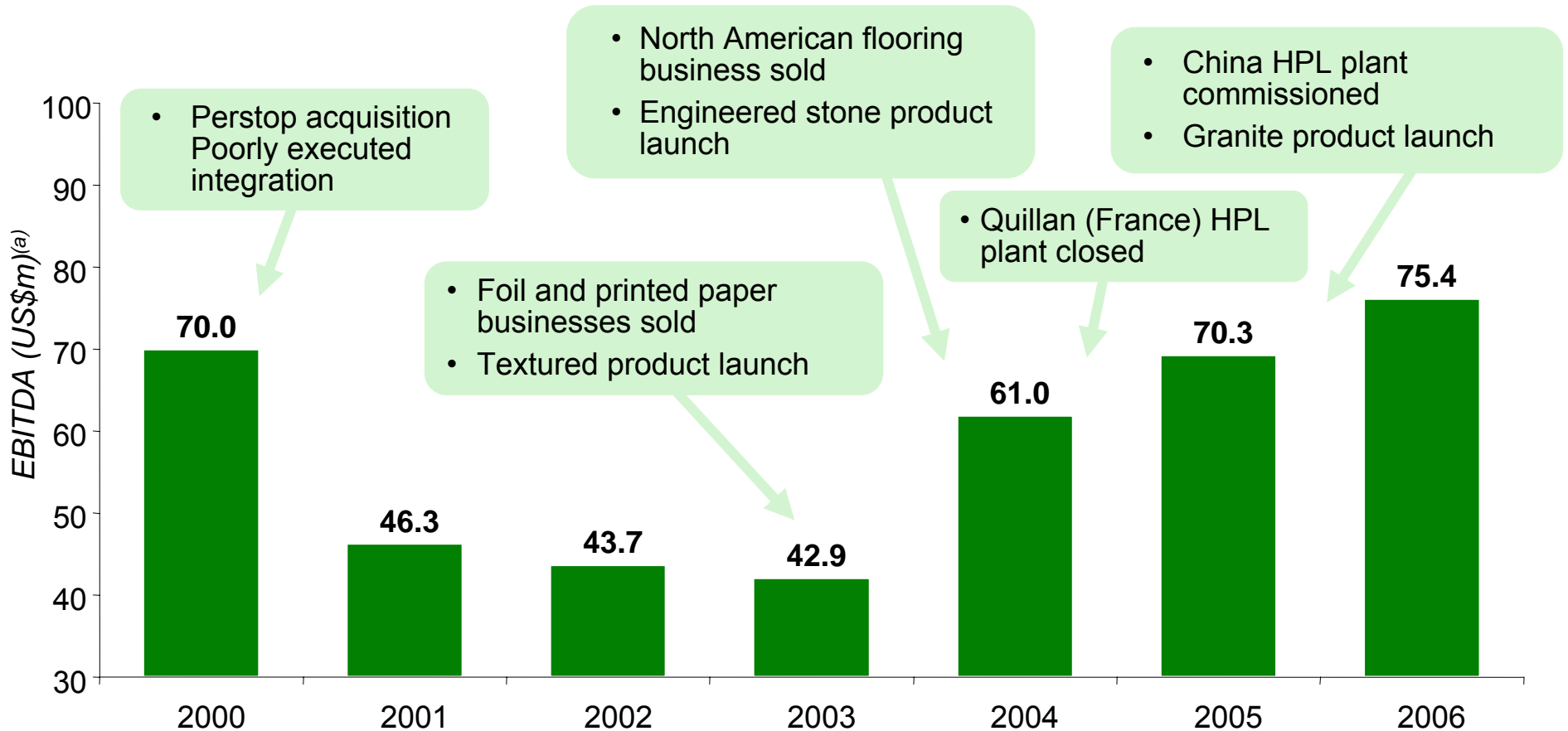
1%

2%

\* includes veneer, metal, components and flooring



# Overview of Formica – track record of earnings improvement



Notes:

(a) Normalised EBITDA

(b) December year end, includes corporate costs (2006 US\$14m)

(c) Includes Formica South America prior to 2003

Source: Formica management accounts

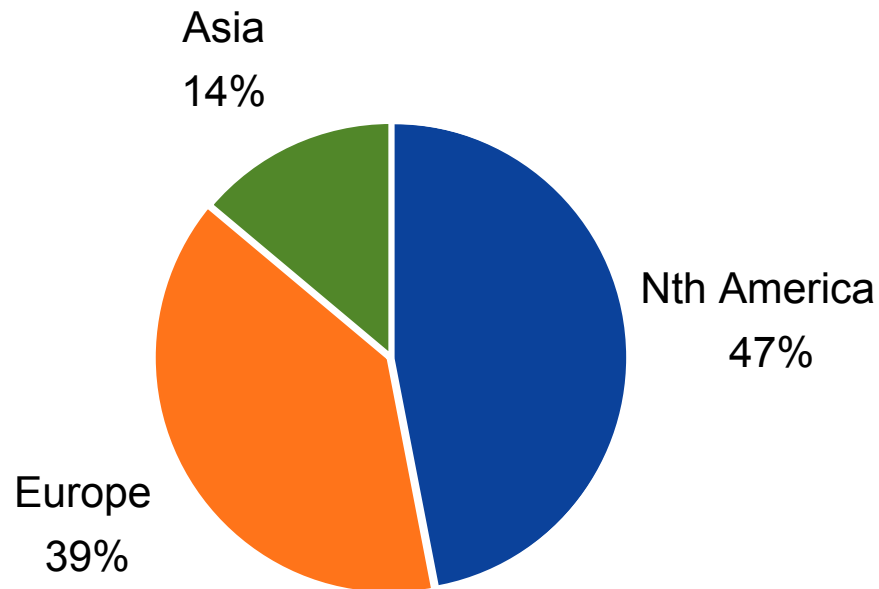
Chapter 11 2002 - 2004

Cerberus / Oaktree ownership

# Regional revenue and earnings composition

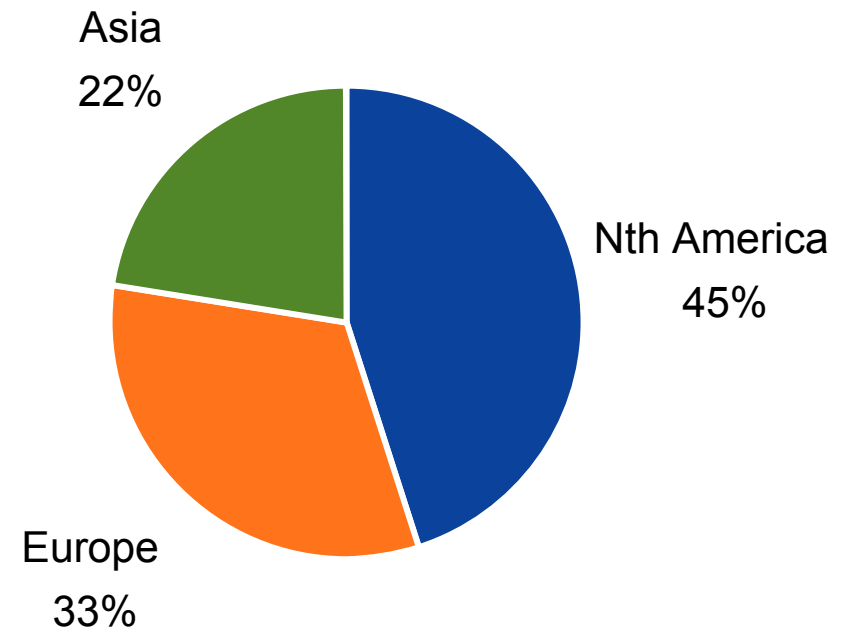


## Revenue contribution by geography



**FY06 = US\$737m (a)**

## EBITDA contribution by geography



**FY06 = US\$75m (a)**

Notes:

(a) Normalised December year end, excluding South America business

# Overview of Formica - Asia



## Key facts

- ❑ Asian key financials
  - 2006 revenue = US\$102m
  - 2006 EBITDA = US\$20m<sup>(a)</sup>
- ❑ Total 2006 HPL volume = 154m sq. ft.
- ❑ 12 distribution centres across Asia

## Manufacturing facilities



Notes:

(a) Normalised December year end EBITDA prior to corporate costs

- ❑ Regional markets
  - #1 market share in Thailand, Taiwan, Hong Kong and China
- ❑ The Chinese market is a largely untapped growth opportunity
  - China and Thailand have been the focus of Formica's recent capital investment resulting in strong volume growth – China plant is new
  - Highly profitable region for Formica
  - Modern low cost Asian base provides export opportunity
- ❑ Formica demand driven by commercial market
  - Competitive advantage via design capability and product quality
  - Demand driven by domestic Asian consumption
- ❑ Strategically important segment providing significant potential synergies with existing FBU HPL operations in Australasia

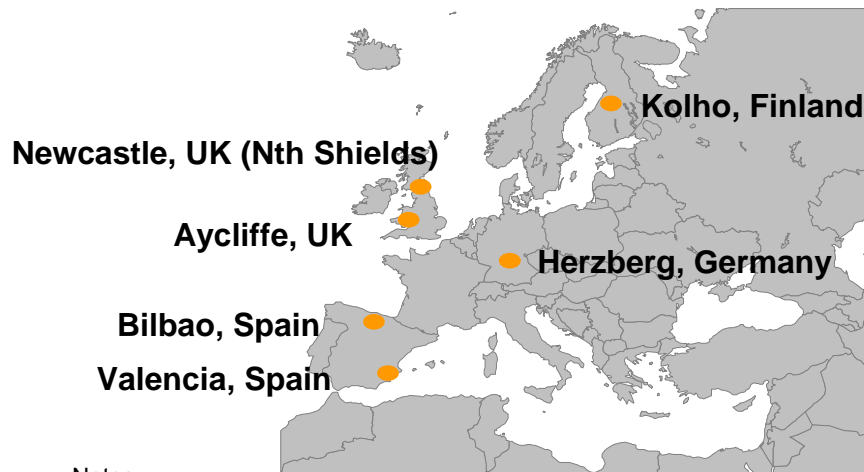
# Overview of Formica - Europe



## Key facts

- ❑ European key financials
  - 2006 revenue = US\$288m
  - 2006 EBITDA = US\$29m<sup>(a)</sup>
- ❑ Total 2006 HPL volume = 378m sq. ft.
- ❑ Total 2006 compact volume = 15m sq. ft.
- ❑ 12 distribution centres across Europe

## Manufacturing facilities



Notes:

(a) Normalised December year end EBITDA prior to corporate costs

- ❑ Formica is the market leader in its key regions
  - #1 market share in UK, Spain and Scandinavia
- ❑ Regional markets with some recent consolidation
  - Limited pan-European competition or import threat
  - Recent consolidation in France and UK
- ❑ Western Europe a mature market but growth opportunities in Russia and Poland

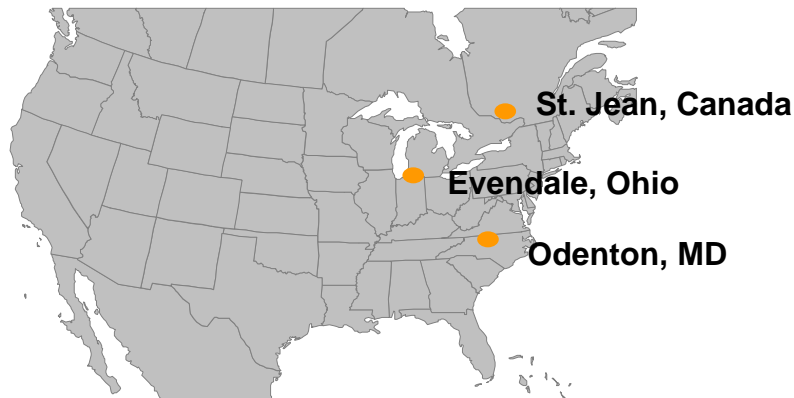
# Overview of Formica – North America



## Key facts

- ❑ North American key financials
  - 2006 revenue = US\$347m
  - 2006 EBITDA = US\$40m<sup>(a)</sup>
- ❑ Total 2006 HPL volume = 410m sq. ft.
- ❑ 9 distribution centres across North America

## Manufacturing facilities



Notes:

(a) Normalised December year end EBITDA prior to corporate costs

- ❑ Consolidated HPL market, Formica #2 and gaining share
  - Top 3 players hold >90% share
  - #3 and #4 players merged in 2006, creating further growth opportunity for Formica
- ❑ US market demand primarily driven by commercial construction
  - Circa 70% commercial, 30% residential
  - Circa 70% of residential demand is kitchen and bathroom
- ❑ Demand is relatively stable and well diversified across a range of segments
  - Store fixtures, wall panels, furniture, kitchen and bathroom
- ❑ FBU has secured a supply arrangement with South American HPL business which the vendor has retained

## SECTION 3

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# Rationale for acquisition

# Consistent with FBU's acquisition criteria



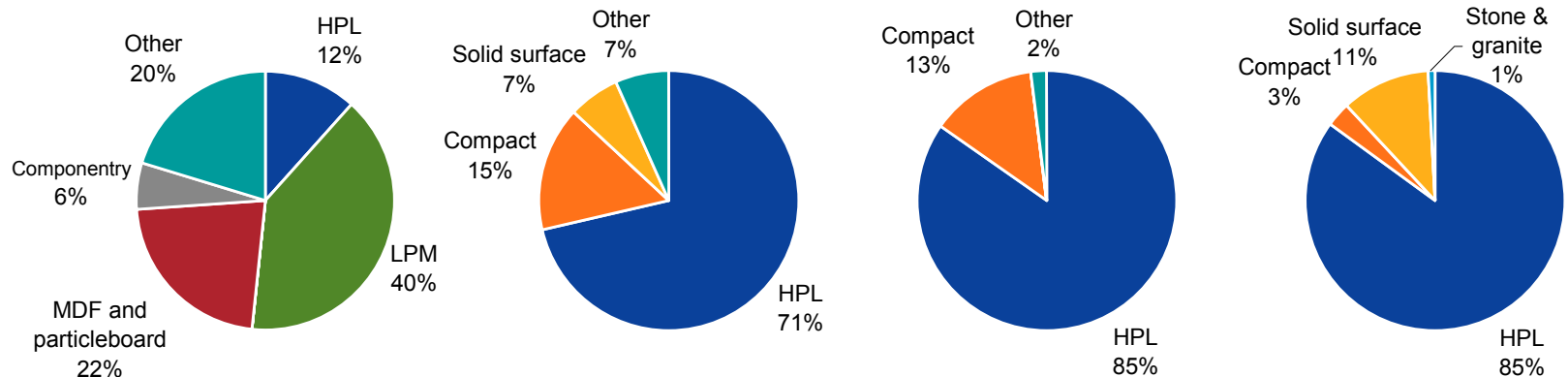
- ✓ Complementary to existing operations
- ✓ Leading market positions and recognised brand
- ✓ Favourable industry structure
- ✓ Strong management in place
- ✓ Attractive acquisition parameters and positive financial impact

# Formica's complementary businesses



	FBU's existing laminates business	Acquired Formica businesses			
	Australasia	Asia	Europe	North America	
HPL	✓	✓	✓	✓	
Compact	✓	✓	✓	✓	
LPM	✓		✓		
Solid surface	✓	✓	✓	✓	
Stone & granite	✓	✓		✓	
Flooring	✓	✓	✓		

Regional revenue composition (a)



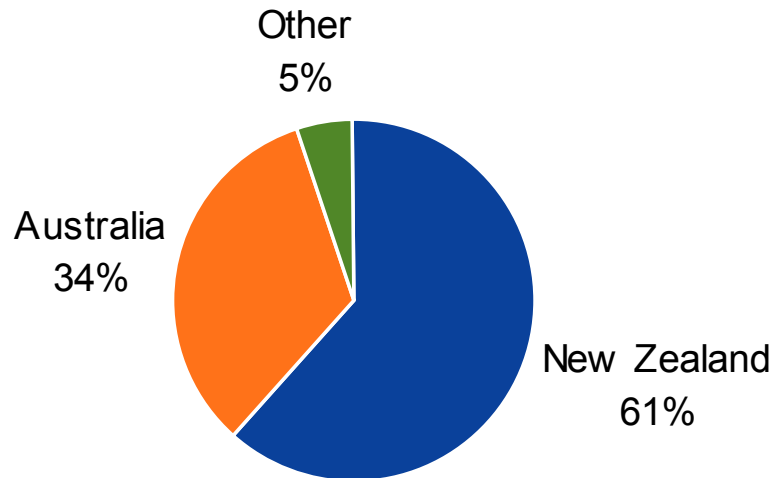
Notes:  
(a) 2006 December year end



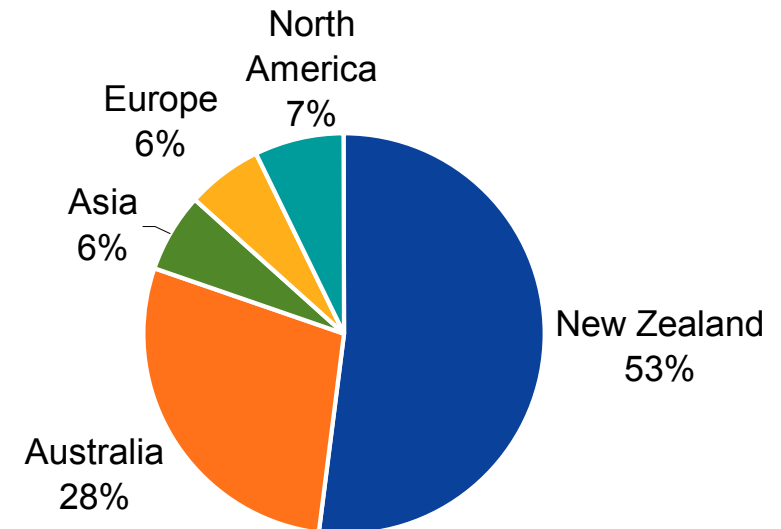
# Geographic diversification of revenue base



FBU revenue – FY 2006



Combined FBU / Formica revenue – pro forma FY 2006



# Strong management in place



- ❑ FBU has secured Formica's experienced and proven management team

		Formica experience	Location
❑ Chief executive officer	Frank Riddick	5 years	Cincinnati
❑ Chief operating officer	John Higgins	4 years	Cincinnati
❑ General counsel	Earl Bennett	6 years	Cincinnati
❑ Global design	Renee Hytry	18 years	Cincinnati
❑ President, North America	Mike Fisher	5 years	Cincinnati
❑ President, Europe	Mark Adamson	9 years	Newcastle
❑ President, Asia	Steve Kuo	22 years	Taipei

- ❑ Formica results will be included in FBU's Laminates and Panels division. Formica divisional CEO will report to FBU CEO

# Attractive acquisition parameters



Purchase Price (US\$m) <sup>(a)</sup>

750

Formica 2008F (Jun YE) Normalised EBITDA <sup>(b)</sup>

94

EV/EBITDA multiple (pre FBU synergies)

8.0x

EV/EBITDA multiple (post FBU synergies) <sup>(c)</sup>

7.2x

Notes:

(a) Excludes transaction costs and working capital adjustments at closing, includes deferred milestone payments of US\$50m

(b) Includes corporate costs and projected North American earnings enhancement benefits of US\$10.6m in 2008. Excludes one-off costs

(c) Includes projected FBU synergies of US\$9.6m in 2008

# North American restructuring and FBU synergies



	Initiative	Description
Nth America restructuring	Sierra facility closure	Closure of a Sierra (California) HPL manufacturing facility with production volume moved to existing plant in Evendale (Ohio)
	Optimising supply chain (inventory / logistics)	Shifting manufacturing focus to 'made to order' and restructuring distribution centres and logistics
	Production capacity rationalisation	Consolidation of US production capacity with lower-cost replacement volume sourced from Formica China manufacturing plants
	<p>❑ <b><i>Additional purchase price payments, up to a total of US\$50m, are contingent on completion of North America restructuring projects by June 2008</i></b></p>	
FBU synergies	Rationalise Australian production	Consolidation of Australasian manufacturing facilities with production volume moved to lower-cost Asian manufacturing facilities
	Raw materials sourcing and corporate savings	Consolidation of raw material procurement to gain volume benefits, streamlining of corporate functions to remove duplicate processes

# Restructuring and synergies estimated financial impact\*



<b>EBITDA impact</b>		<b>2008F</b>	<b>2009F</b>
<b>Jun YE, US\$m</b>			
<b>Nth America restructuring</b>	Sierra facility closure	7.6	10.6
	Optimising supply chain (inventory / logistics)	2.0	8.1
	Production capacity rationalisation	1.0	4.4
	<i>Total North American restructuring</i>	<u>10.6</u>	<u>23.1</u>
<b>FBU synergies</b>	Rationalise Australian production	4.5	7.3
	Raw materials sourcing and corporate savings	5.1	10.3
	<i>Total synergies</i>	<u>9.6</u>	<u>17.6</u>
<b>Recurring EBITDA impact</b>		<b>20.2</b>	<b>40.7</b>
One off restructuring costs <sup>(a)</sup>		(14.4)	(4.8)
<b>Tax rate</b>	As a consequence of consolidating Formica, FBU's effective tax rate is expected to be lowered by circa 3% for the foreseeable future		

Notes:

(a) Includes non-cash costs of US\$7.5m in 2008

\*See disclaimer about "forward looking statements" on page 3 of this presentation

# Estimated financial impact\*



NZ\$m, June YE	2008F		
	Broker consensus <sup>(a)</sup>	Pro forma FBU + Formica <sup>(b)</sup>	% increase
Reported EBITDA	858m	991m	15.5%
Reported NPAT	406m	448m	10.2%
Reported EPS	85.8c	89.6c	4.5%
Normalised EPS (pre synergies) <sup>(c,d)</sup>		90.6c	5.6%
Normalised EPS (post synergies) <sup>(c)</sup>		92.2c	7.5%

Notes:  
 (a) Broker consensus range of estimates is EBITDA NZ\$825 - \$930m, and NPAT NZ\$399 - \$454m (Source: Bloomberg 21 May 2007)  
 (b) Assumes underwritten equity placement of 26m shares. Includes projected North American restructuring savings of US\$10.6m and 2008 projected synergies US\$9.6m. Acquisition price includes transaction costs of US\$17m. Assumes NZD/USD exchange rate of 0.73  
 (c) Excludes one-off restructuring costs  
 (d) Excludes 2008 projected FBU synergies of US\$9.6m  
 \*See disclaimer about “forward looking statements” on page 3 of this presentation

## SECTION 4

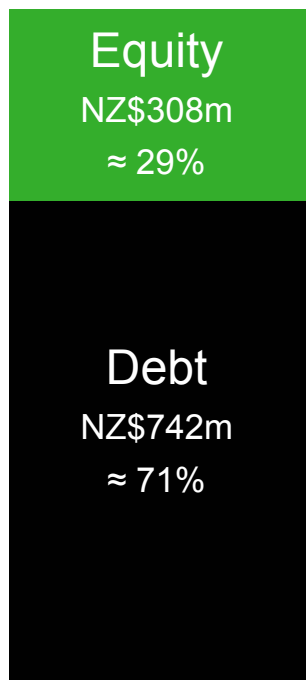
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# Acquisition financing

# Greater optimisation of capital structure

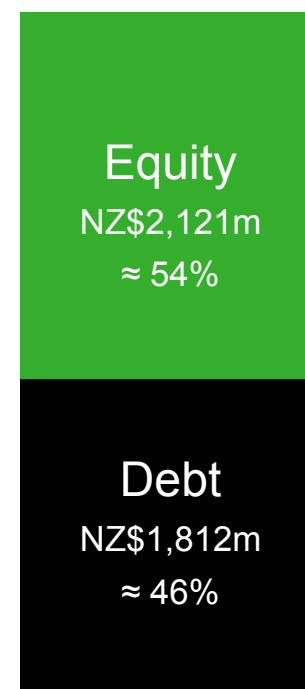
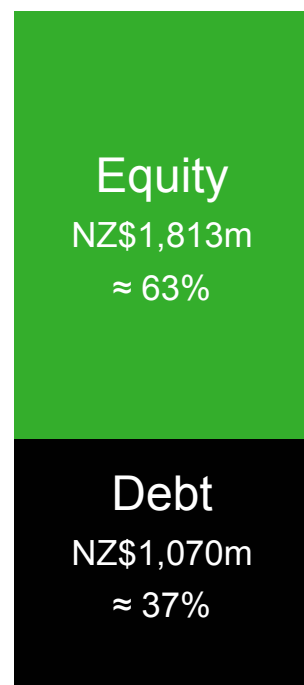


## Acquisition funding (a)



Deploys FBU's  
balance sheet  
strength

## Effect on FBU capital structure



**Total acquisition costs = NZ\$1,050m<sup>(b,c)</sup>**  
(US\$750m + US\$17m transaction costs)

**Pre transaction**  
(FBU 31 Dec 2006)

**Post transaction**  
(FBU 31 Dec 2006 + Formica)

### Notes:

(a) Assumes underwritten equity placement of 26m ordinary shares, to rank pari-passu with existing FBU ordinary shares

(b) Assumed exchange rate 1 NZD = 0.73 USD

(c) Subject to working capital adjustments at closing



# Equity raising indicative timetable (NZT)



## Wednesday 23 May

- 10.00am Trading halt on NZX and ASX
- 11.00am Investor presentation
- 12.00 noon Bookbuild commences
- 9.00pm Book build closes

## Thursday 24 May

- 9.45am Allocations finalised
- 10.00am FBU trading recommences
- By 4.00pm Return of placement confirmation
- By 4.00pm Return of CARD form (settlement details)

## Thursday 31 May

- By 12.00 noon Settlement

## SECTION 5

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# Conclusion

# Building on a successful acquisition track record



- ❑ FBU has a successful offshore acquisition record – Laminex, Tasman Building Products and Amatek Holdings
  - Successful integration experience
  - Acquisitions exceeded earnings expectations
  - Synergies successfully achieved
- ❑ Formica acquisition fully consistent with FBU's proven approach

# Composition of acquisition cost



## Pro forma 31 December 2006 (a)

	\$USm	\$NZm <sup>(b)</sup>
Fixed assets	216	296
Net working capital <sup>(c)</sup>	116	159
Goodwill and intangibles <sup>(d)</sup>	515	705
Deferred tax asset	(13)	(18)
Investments	32	44
Other	(100)	(136)
<b>Total acquisition cost <sup>(c,d)</sup></b>	<b>767</b>	<b>1,050</b>

Notes:

- (a) No fair valuation adjustment has been made
- (b) Assumed NZD / USD exchange rate 0.73
- (c) Subject to working capital adjustments at closing
- (d) Includes transaction costs of approximately US\$17million