

Fletcher Building confirms proposal to acquire Steel & Tube

Auckland, 3 October 2018: In response to the announcement by Steel & Tube Holdings Limited (“Steel & Tube”) earlier today, Fletcher Building Limited (“Fletcher Building”) confirms that it is seeking to acquire, and has put a proposal to the Board of Steel & Tube to acquire, all of the shares of the company at a price of NZ\$1.70 per ordinary share in cash by way of a scheme of arrangement (the “proposal”).

Fletcher Building’s preference is to work constructively with the Board of Steel & Tube to progress the proposal. To this end Fletcher Building has been in confidential discussions with the Board of Steel & Tube and a number of their major shareholders over the last three weeks. Through this process shareholders, who collectively own more than 20% of all Steel & Tube shares on issue, confirmed their position that the Board of Steel & Tube should, in good faith, progress the development of the proposal with Fletcher Building, with a view to it being put to Steel & Tube shareholders. Given the strong shareholder support to date, Fletcher Building intends to continue discussions with Steel & Tube shareholders and Board, with a view to reaching an acceptable outcome in the immediate future.

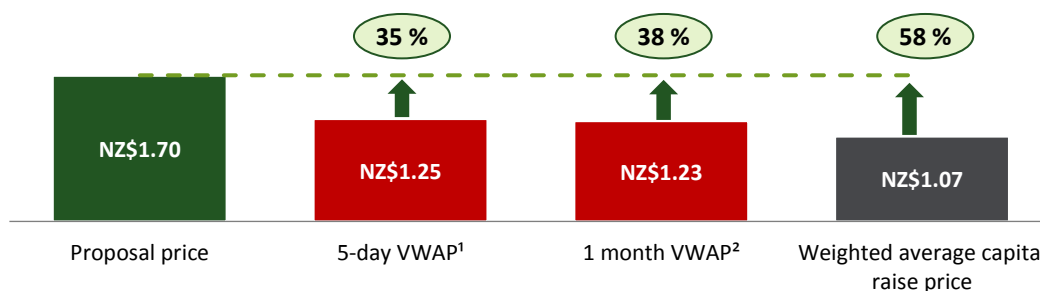
The acquisition of Steel & Tube is consistent with Fletcher Building’s five year strategy announced in June 2018, and fits firmly within its focus on the New Zealand and Australian building products and distribution sectors.

Commenting on the proposal, Fletcher Building CEO Ross Taylor said “An acquisition of Steel & Tube is a unique opportunity to create the leading steel distribution business in the New Zealand market. We believe that there is a significant ability to leverage our business model and people across the combined business for the benefit of our customers, employees and shareholders. In particular, we believe customers would benefit from an improved service offering and distribution network, broader product range, and investment in innovation. We consider there to be potential value creation over time as benefits of the combined operation are realised, providing us with the confidence to present an attractive proposal to Steel & Tube.”

Fletcher Building believes that a price of NZ\$1.70 per share is attractive to Steel & Tube shareholders, providing a significant premium to recent share price trading. Specifically, it represents a:

- 35% premium to the 5-day⁽¹⁾ volume weighted average price of Steel & Tube shares on the NZX Main Board of NZ\$1.25;
- 38% premium to the one-month⁽²⁾ volume weighted average price of Steel & Tube shares on the NZX Main Board of NZ\$1.23; and
- 58% premium to the weighted average capital raise price of NZ\$1.07.

Proposal price represents an attractive premium for Steel & Tube’s shareholders



A price of NZ\$1.70 per share implies a transaction multiple of 12.3x⁽³⁾ Steel & Tube’s FY19 EBIT guidance. Fletcher Building believes this implied transaction multiple represents compelling value for Steel & Tube shareholders given it is materially above the average trading EV/EBIT multiple over the last 5 years of 9.2x⁽⁴⁾.

“We believe this is a compelling proposal for Steel & Tube shareholders, representing a significant premium to recent share price trading and broker valuations. If successful, the proposed transaction has the ability to deliver significant

value to Steel & Tube shareholders and materially de-risk the turnaround plan that Steel & Tube management are beginning to embark on," says Mr Taylor.

The proposed transaction would require clearance from the Commerce Commission. Fletcher Building has undertaken a significant amount of work with its economic and legal advisers on combining Fletcher Steel and Steel & Tube. Fletcher Building believes that the New Zealand steel industry would remain highly competitive if it acquired Steel & Tube with a number of well-established competitors remaining, in addition to a growing number of offshore suppliers selling directly into the market. This work has given Fletcher Building confidence that the transaction would receive the necessary clearance from the Commerce Commission. Approval from the Overseas Investment Office will also be necessary.

Fletcher Building notes that discussions with Steel & Tube in relation to the proposal are intended to be progressed confidentially until an agreement can be reached. Until that point, the proposal remains incomplete and is non-binding and therefore may not result in a transaction occurring. The proposal is not a takeover notice for the purposes of the Takeovers Code. The Company will update the market with any material developments as appropriate.

Endnotes:

(1) 5 day VWAP calculated from 26-Sep-2018 to 2-Oct-2018 inclusive

(2) 1 month VWAP calculated from 3-Sep-2018 to 2-Oct-2018 inclusive.

(3) 12.3x calculated based on 166.0m shares on issue, estimated net debt of NZ\$26.1m adjusted for the private placement and rights issue and Steel & Tube FY19 EBIT guidance of NZ\$25m.

(4) Average EV/EBIT multiple over the last 5 years using next-twelve-months rolling EBIT based on Thomson Reuters I/B/E/S broker consensus estimates.

#Ends

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