

## News Release

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Information on Tenon Limited can be found at <http://www.tenonglobal.com>.

STOCK EXCHANGE LISTING: NEW ZEALAND (TEN)

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### Tenon Makes Comprehensive Market Announcement

- **Positive earnings update**
- **Shareholder plan and share buyback**
- **Cash returns**
- **US equity initiatives**

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International wood products manufacturer and distributor, Tenon, made a comprehensive update to shareholders at its ASM today.

In an update to shareholders Tenon's chairman Luke Moriarty said: "Barring any unforeseen events, our EBITDA<sup>1</sup> (i.e. Earnings before interest, tax, depreciation and amortisation) for the first six months of our 2014 fiscal year (i.e. the six months to 31 December 2013) should equal that which we reported for the entire 12 months of our previous financial year (i.e. for the 12 months to 30 June 2013). This is very positive news, and the Company is off to a strong start to the year."

Tenon's share price has doubled over the past year, as the positive impetus of a recovering US housing market has begun to flow through into its earnings performance. However, the Company said that it still believed its current share price of NZ\$1:30 to be well below fair value, based on comparable company equity market trading multiples (which imply a Tenon trading share price well in excess of NZ\$2:00) and the positive earnings outlook made today.

The Company announced three value-enhancing initiatives at the ASM, designed to help close this value-gap –

- A share plan (and small share buy-back) to address small shareholding positions
- An intention to make cash returns to Tenon shareholders, beginning in 2014
- Reviewing ways to increase the Company's equity exposure to the US market

More than 80% of Tenon's register is held by three large investors who do not trade their positions, thereby reducing the liquidity of Tenon shares. The purpose of the share plan ("Plan") is to introduce liquidity into the market for small shareholding parcels, whilst

simultaneously reducing the costs to the Company of managing small register holdings. The Plan will allow shareholders with less than 2,000 shares the brokerage free opportunity to buy-up further Tenon shares to that level, and for those shareholders with less than 500 shares to sell-out of their positions brokerage free should they wish to do so. The Plan will also be supported by a small share buy-back program, to ensure sufficient market liquidity exists to successfully complete the Plan. Full details of the Plan will be sent to shareholders later this week.

On the back of the expected earnings uplift, shareholders were also told that if market conditions and earnings continued to recover in line with Tenon's internal forecasts, then the Company should be in a position to begin making cash returns to its shareholders, starting in 2014 - with the initial return likely to occur after completion of Tenon's 30 June 2014 fiscal year.

As to the Company's equity exposure, Mr Moriarty said "The final reason for the current share price value-gap is the fact that 90% of our revenue is derived from the United States, where the bulk of our operations are also located, yet our equity is NZ-based, where news of the US housing market and the performance of Tenon's competitors, is sparse. So, in 2014 we will also be looking closely at increasing the Company's equity exposure to the United States – where news flow on our sector is much greater, where comparable company multiples are more favourable, and where we should be able to generate new interest in the stock as a result. There are many ways this can be achieved, and while a dual NZ-US listing is one obvious path that we will be looking at closely, we will also be undertaking a complete company review as to how Tenon can best position itself to create value for shareholders as the current US cyclical recovery progresses. Enhancing share price momentum is top of our minds."

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#### **About Tenon**

*Tenon is a wood-products processing, marketing and distribution business, focusing on high-value markets in North America. Tenon has strong supplier relationships with the independent pro-dealer (i.e. new housing) segment, and channels into the world's largest (DIY) home improvement centre stores (i.e. Lowe's and The Home Depot). As well as providing a channel to market for product made at Tenon's large clearwood remanufacturing facility in Taupo (NZ), its distribution business sources significant quantities of finished product from other international suppliers for sale into North America. Tenon ships over 8,000 40' containers annually, through an internal logistics system that sources specialised product from China, Chile, Brazil, United States, Canada, and New Zealand. In addition to Tenon's Taupo operation selling product into the North American market, it also has an export presence into Europe, China and Australia.*

#### **Forward Looking Statements**

*There are statements included in this presentation that are "forward looking statements." As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Tenon, including – the markets and geographies in which we operate and compete, foreign exchange rate fluctuations, US housing market conditions, US and global credit market conditions, competition, global demand and supply conditions – and other factors (many of which are beyond the control of Tenon). As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements.*

**Non-GAAP measures**

<sup>1</sup> EBITDA stands for Earnings before Interest, Tax, and Depreciation and Amortisations. EBITDA is a non-GAAP measure, not recognised within IFRS. As it is not uniformly defined or utilized this measure may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with IFRS. Tenon uses EBITDA when discussing financial performance because we believe the measure provides useful comparative earnings information and because it is used internally to evaluate performance. EBITDA is also a widely used earnings measure used in the investment community, particularly by equity analysts when focusing on comparable company performance, as the measure removes distortions caused by differences in asset age and depreciation policies. For fiscal 2013, Tenon's EBITDA reconciliation to its IFRS reported earnings measure of Net Profit / (Loss) after Taxation was as follows -

Net Profit / (Loss) after taxation of US\$(3) million less income tax benefit of US\$ nil + Financing costs of US\$4 million + depreciation and amortisation of US\$4 million = EBITDA US\$5 million.

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