



News Release

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Information on Tenon Limited can be found at <http://www.tenonglobal.com>.
STOCK EXCHANGE LISTING: NEW ZEALAND (TEN)

Tenon Announces Shareholder Initiatives

Strategic Review Introduction of Dividend Payments FY '16 Earnings Guidance

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 of the foregoing, 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. As a result of the foregoing, actual results and conclusions may differ materially from those expressed or implied by such statements.

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

Tenon's financial year end is 30 June.

28 August 2015 –

In addressing FY '15 year performance, Luke Moriarty, Tenon's Chairman, said today "In the period under review, Tenon's share price moved up strongly, rising 32%. This increase far exceeded the performance of the NZX50, which returned 10%, and also that of the ASX50 and Dow Jones indices which in comparison declined -3% and -2% respectively over this same period⁵.

Although this relative share price performance is very positive, we are obviously disappointed that in absolute terms the price is still well below external views of value. In this respect Edison Research issued a report on Tenon in March that, based on comparable equity market earnings multiples and the NZ\$:US\$ cross rate at the time, valued Tenon at NZ\$3.75 – NZ\$4.99 per share. The Board is very keen to quickly close this gap and today we are announcing two initiatives aimed at increasing shareholder value -

1. **Strategic Review** - The Board has determined a Strategic Review will be immediately undertaken. The underlying goal of the Review is to come up with the risk-adjusted path most likely to close the share price value gap and thereby achieve better value recognition

for all shareholders. Deutsche Craigs and Deutsche Bank have been appointed as Tenon's exclusive advisors for the purpose of this Review.

2. **Introduction of dividend payments** - We had previously announced our intention to begin making regular dividend payments to shareholders in fiscal '16. Based on our current earnings performance and our confidence in the year ahead, the Board has now determined that the Company will immediately follow through on that intention, by declaring a final dividend payment in respect of Tenon's fiscal '15 year just completed. The dividend is NZ5.0 cps⁴, and payment will be made on 6 November to shareholders on the Tenon share register as at 30 October. The Board has also determined that moving forward, the intention¹ is to make two dividend payments per year, following the completion and announcement of each of the Company's interim and annual results. The Board has not decided what the dividend rate¹ will be for fiscal '16, as that will be dependent upon and subject to financial performance, competing needs for the Company's capital, broader macro market conditions, and the outcome of the Strategic Review."

3. **Earnings Guidance** - In addition to these announcements, the Company also gave insight on its internal forward earnings targets. Mr Moriarty said, "Net earnings trebled in the FY '15 year just completed, and our expectation is for materially higher earnings next year. In this respect we are internally targeting EBITDA² in excess of \$20 million^{1,2} for fiscal '16 (excluding FX gains / losses). We reiterate our mid-cycle³ EBITDA guidance of circa \$50 million."

ENDS

Footnotes

¹ Eventual earnings, cash flow, net debt and dividend payment outcomes will be dependent upon continued US housing market recovery, interest rates, NZ\$:US\$ cross rate, and the Strategic Review (amongst other drivers, many of which are beyond Tenon's control).

² EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisations) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance, because that number removes distortions caused by differences in asset ages, depreciation policies, and debt:equity structures. Refer also Note 1 to our 30 June 2015 Condensed Financial Statements. Tenon's EBITDA for FY'15 of US\$13 million is calculated as Net Profit after Taxation of \$6 million (2014 \$2 million), plus Tax Expense of \$nil (2014 \$1 million), plus Financing Costs of \$4 million (2014 \$4 million), plus depreciation and amortisations of \$3 million (2014 \$4 million).

³ Tenon defines mid-cycle as 1.6 million housing starts, a NZ\$:US\$0.6500 exchange rate, projected FY'16 gross margin % held flat, inclusion of the benefit of current Taupo optimisation capex, and limited organic growth (i.e. product programme expansion and pro-dealer territorial expansion). The new housing starts assumption represents an average derived from information and reports publicly released by Forest Economic Advisors, Forisk Consulting, Joint Center for Housing Studies of Harvard University, Goldman Sachs, Deutsche Bank, and from Tenon's own internal research.

⁴ Imputation credits will not be attached to the dividend due to Tenon's current non-tax paying position.

⁵ For the period from 1 July '14 through to the time of writing this report.