



## Annual Shareholders' Meeting - 2015



Luke Moriarty - Chairman

## 2015 Review

- **Strengthened strategic positioning and lifted performance**

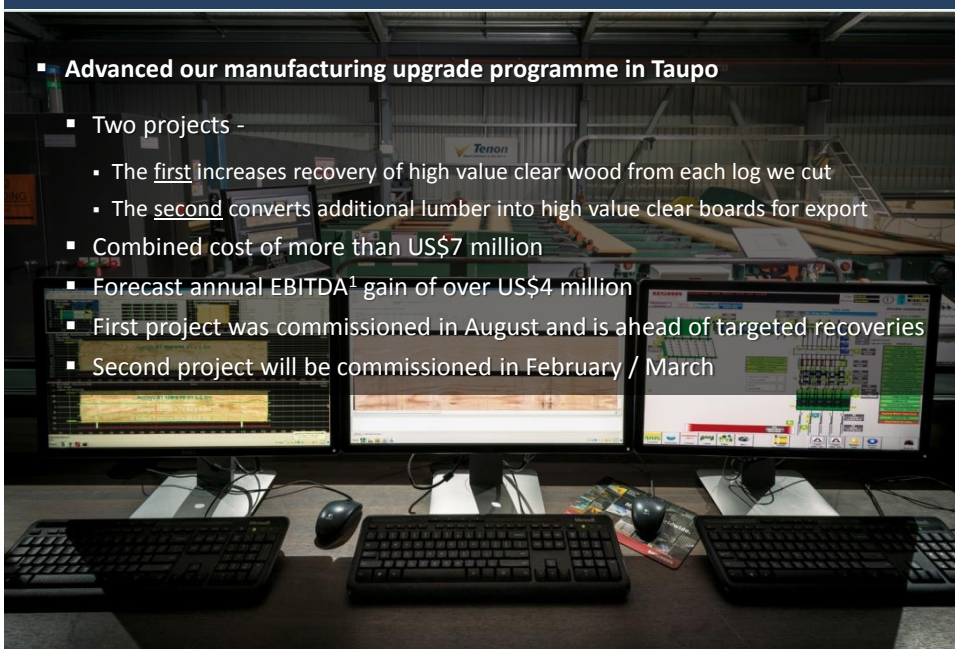
- **Expanded our Syndicated Bank financing facility**
  - Increased to US\$75 million
  - More favourable borrowing rates
  - Eliminated some constraining covenants
  - Increased flexibility for payments to shareholders



## 2015 Review ... continued

- **Advanced our manufacturing upgrade programme in Taupo**

- Two projects -
  - The first increases recovery of high value clear wood from each log we cut
  - The second converts additional lumber into high value clear boards for export
- Combined cost of more than US\$7 million
- Forecast annual EBITDA<sup>1</sup> gain of over US\$4 million
- First project was commissioned in August and is ahead of targeted recoveries
- Second project will be commissioned in February / March





## 2015 Review ... continued

- **New business won in National Home Centre channel**
- **Commenced pro-dealer 'step-out' territory growth**
- **Strengthened our position in each channel**
- **Completed restructure of North American distribution activities**
  - Aligned management structure around two key channels
    - National home centre activities – remodelling and renovation
    - Pro-dealer activities – new home construction



## 2015 Review ... continued

- **Operational improvement initiatives**
  - Implemented –
    - Advanced demand planning and forecasting model
    - Enhanced procurement system
  - Reviewing logistics model, optimising performance of our truck fleet
  - Consolidating two Texas warehouses into one new 'super facility'



## 2015 Review ... continued



## 2015 Review ... continued

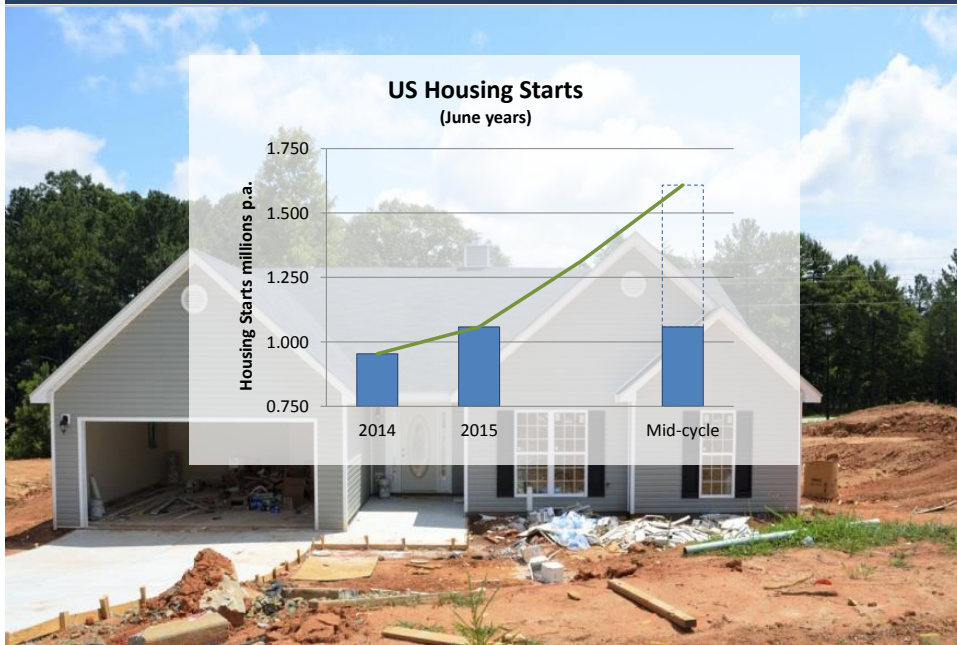
### ▪ Macro-environment has been improving

- US housing activity and NZ dollar are more favourable
- Exchange rate of 65 cents down from 80 cents
- Predictions that US Fed will raise interest rates, RBNZ lower them
- If US interest rates rise, short-term housing activity may slow  
... but underlying fundamentals support longer-term strong recovery



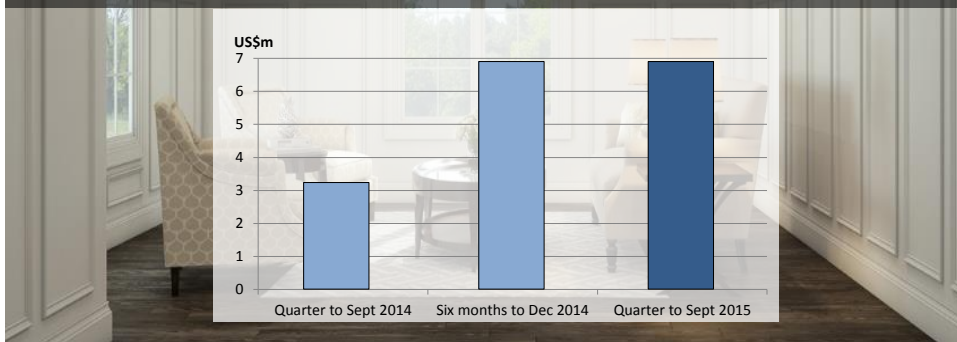


## 2015 Review ... continued

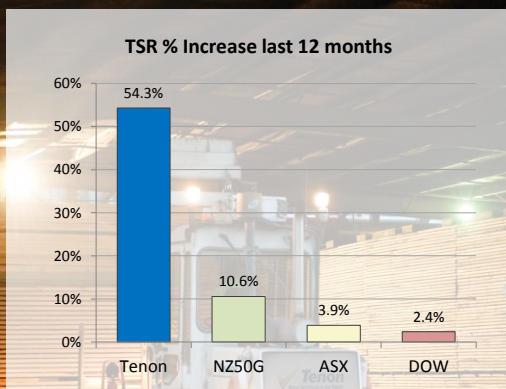


## 2015 Review ... continued

- **Operational initiatives are flowing through**
  - First three months of fiscal 2016 EBITDA<sup>1</sup> of \$7 million (excl FX and project costs of \$1 million)
    - Was more than double the previous comparable period's result
    - Equivalent to the result for first six months of last year
- **Business lifting earnings base – operating at higher 'run rate'**



## 2015 Review ... share price has begun to respond



- Tenon has materially out-performed the major global indices
- On a comparable trading basis, we still believe Tenon is undervalued

## 2015 Review – shareholder value initiatives

- Two value initiatives put in place
  - Commencement of dividend payments
    - Began this year
    - First payment made in November
    - We expect (subject to Strategic Review) dividends to be twice a year
  - Strategic review
    - Determine risk-adjusted path likely to close the share price value gap
    - Engaged Deutsche Bank to assist
    - Post announcement we received 'in-bound' interest from third parties
    - Need to determine whether a sales path provides the best outcome
    - Process is proceeding to plan
    - This process will be critical to value recognition



### Resolution 1a

That Simon Luke Moriarty be re-elected as a Director of the Company

### Resolution 1b

That Rodger Herbert Fisher be re-elected as a Director of the Company

### Resolution 2

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

## Notes

### Footnote

<sup>1</sup> We used EBITDA when discussing financial performance. EBITDA (i.e. Earnings before interest, taxation, depreciation and amortisation) is a non-GAAP financial measure that is not recognised within IFRS. As it is not uniformly defined or utilised this measure may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation or considered as a substitute for measures reported in accordance with IFRS. Management believes that EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparable company performance purposes, as the measure removes distortions caused by differences in asset ages, depreciation policies, and debt:equity structures. EBITDA can be derived from our Consolidated Income Statement (Refer our 2015 Annual Report) by taking Net Profit after Taxation of US\$6 million (2014, US\$2m), and adding back Income Tax Expense of US\$ nil (2014, US\$1m), Financing Costs of US\$4 million (2014, US\$4m), and depreciation & amortisations of US\$3 million (2014, US\$4m) = US\$13 million (2014, US\$11m).

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.