



# Revised Offer to shareholders of Crane Group Limited

31 January 2011



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## Introducing the Revised Offer

- On 31 January 2011 Fletcher Building announced:
  - It has signed a Takeover Bid Implementation Agreement with Crane
  - Revised Offer to acquire all of the ordinary shares in Crane that it does not already own
  - Crane's Directors have unanimously recommended shareholders ACCEPT the Revised Offer<sup>1</sup>
- This follows the opportunity to enter into discussions with Crane following its 1H11 result announcement on 21 January 2011
- The Revised Offer modifies the existing offer that was initially announced by Fletcher Building on 15 December 2011

*1. In the absence of a superior proposal*



## Summary of the Revised Offer

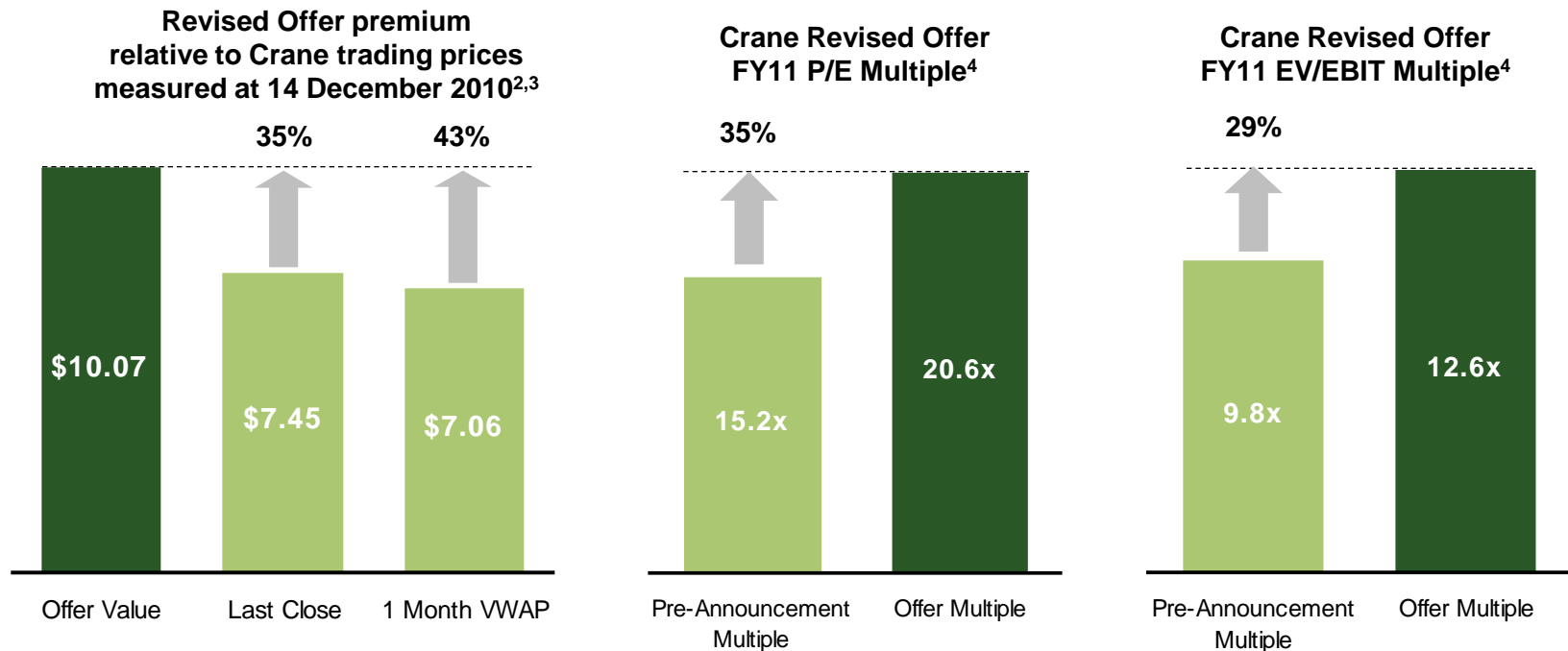
<p><i>Revised Terms</i></p>	<ul style="list-style-type: none"> <li>• Revised Offer comprising A\$3.50 cash and one Fletcher Building share for each Crane ordinary share</li> <li>• Crane's fully franked special dividend from accumulated profits of A\$0.50 per share and interim dividend of A\$0.22 per share to be paid on 22 February 2011 will not reduce the cash consideration of the Revised Offer<sup>1</sup></li> <li>• The total implied value to be received by Crane shareholders including the special dividend equates to <b>A\$10.07</b> for each Crane share<sup>2</sup> <p><i>The implied value of the Revised Offer will vary as the market price of the Fletcher Building shares on the ASX changes from time to time.</i></p> </li> </ul>
<p><i>Unanimous Board Recommendation to ACCEPT</i></p>	<ul style="list-style-type: none"> <li>• Crane's Directors unanimously recommend Crane shareholders <b>ACCEPT</b> the Revised Offer, in the absence of a superior proposal</li> <li>• Each of Crane's Directors <b>INTEND TO ACCEPT</b> in respect of their own shares, in the absence of a superior proposal</li> <li>• Total implied value to be received by Crane shareholders of A\$10.07 is within the valuation range provided by the Independent Expert</li> </ul>
<p><i>Key Conditions</i></p>	<ul style="list-style-type: none"> <li>• The Revised Offer remains subject to various conditions including obtaining regulatory approvals and a relevant interest in Crane of at least 90%<sup>3</sup></li> </ul>

1. Crane shareholders accepting the offer should note that as they are receiving the Crane interim dividend they will not be eligible to receive the corresponding Fletcher Building dividend of up to NZ\$0.16 per share (which at the exchange rate of A\$1 = NZ\$1.30 at 25 January 2011 translates to approximately A\$0.12)
2. Total implied value based on A\$3.50 in cash plus one Fletcher Building share at the closing share price on the ASX of A\$6.07 on 25 January 2011 and on the basis that Crane pays a A\$0.50 fully franked special dividend. The implied value of the Revised Offer will vary as the market price of the Fletcher Building shares on the ASX changes from time to time.
3. Fletcher Building has agreed to waive the Index Out condition contained in section 12.8(a)(xii) of the Bidder's Statement as well as permit certain other activities of Crane as not causing a breach of a condition.



## Substantial premium and attractive multiples

The Revised Offer of A\$3.50 cash and 1 Fletcher Building share implies a total value of A\$10.07 per Crane Share on the basis that Crane pays a A\$0.50 fully franked special dividend<sup>1</sup>



1. Total implied value based on Fletcher Building's closing share price on the ASX of A\$6.07 on 25 January 2011

2. VWAP (volume weighted average price) measured up to and including 14 December 2010

3. Last close and 1 month VWAP reduced by A\$0.22, being the declared Crane interim dividend

4. Based on earnings implied by Crane's guidance: FY11 NPAT before significant items of A\$38.7m (5% increase on A\$36.8m in FY10), FY11 EBIT before significant items and excluding income from associates of A\$74.4 (15% increase on A\$64.7m in FY10) and market capitalisation implied by A\$10.07. Enterprise value calculated using Crane's net debt as at 31 December 2010 of A\$160m, minorities and preference shares of A\$1m, plus the relevant market capitalisation, less the book value of investment in associates of A\$36.7m, plus the interim dividend to be paid of A\$17.4m. Pre-announcement multiples based on Crane's closing share price of A\$7.67 on 14 December 2010 less A\$0.22, being the declared Crane interim dividend, for the purposes of calculating P/E and EV/EBIT Multiples. Revised Offer multiples based on A\$10.07



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## Further benefits for Crane shareholders

- ✓ Receive cash and become a shareholder in a larger and more diversified Australasian building materials manufacturing and distribution company
- ✓ Fletcher Building's experienced management team and Board of Directors have a strong track record of performance and creating value for shareholders
  - Fletcher Building has delivered Total Shareholder Returns of 435% since listing in March 2001<sup>1</sup>
- ✓ Opportunity to benefit from the enhanced size, equity market presence and potentially higher liquidity of the combined Fletcher Building and Crane


1. *Following Fletcher Building's listing on the ASX and NZX on 26 March 2001, it has provided aggregate Total Shareholder Returns (TSR) of 435% assuming reinvestment of dividends at the declared dividend rate per share (sourced from Bloomberg as at 14 December 2010)*



## Crane's Directors recommend shareholders ACCEPT

- Crane's Directors unanimously recommend Crane shareholders ACCEPT the Revised Offer, in the absence of a superior proposal
- Each of Crane's Directors INTEND TO ACCEPT in respect of their personal shareholdings, in the absence of a superior proposal
- The implied total value to be received by Crane shareholders of A\$10.07 falls within the valuation range for Crane shares provided by the Independent Expert
  - Independent Expert's range of A\$9.92-11.56 on an ex-dividend basis (ie, after deducting Crane's A\$0.22 interim dividend)

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ASX release Monday 31 January 2011

**Crane Group unanimously recommends REVISED OFFER from Fletcher Building at a total implied value equivalent to \$10.07<sup>1</sup> per share**

- Revised Offer at an implied value equivalent to A\$10.07<sup>1</sup> per share unanimously recommended by Crane Group's Board, in the absence of a superior proposal

*Crane media release dated 31 January 2011*



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## Takeover Bid Implementation Agreement terms

- Sets out the terms of the Revised Offer and Crane Board recommendation
- Key terms of the agreement include:
  - Crane has terminated discussions with other parties regarding the sale of its businesses and agreed to exclusivity with Fletcher Building
  - Crane has agreed to customary "no shop", "no talk" and "no due diligence" restrictions
  - Fletcher Building has the right to make a counter offer in the event of a competing proposal
  - Break fee of A\$8m, which is approximately 1% of the value of the implied equity value under the Revised Offer, payable in certain circumstances by Crane
  - Index out condition waived and Fletcher Building to permit certain other activities of Crane as not causing a breach of a condition
- For further information refer to the appendix of the Fletcher Building press release dated 31 January 2011



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## Transaction is financially attractive to Fletcher Building

- Crane's 1H11 result demonstrated solid performance for the 6 months ended 31 December with EBIT<sup>1</sup> and NPAT<sup>1</sup> ahead of broker consensus<sup>2</sup> expectations
  - Strong cash generation resulted in net debt of A\$160m (up from A\$154m) despite the acquisition of Hudson Building Supplies for A\$31.5m
  - EBIT<sup>1</sup> ahead of broker consensus<sup>2</sup> expectations for Tradelink and Pipelines
- Fletcher Building's average acquisition price for Crane shares will be lower than the total implied value to be received by Crane shareholders of A\$10.07<sup>3</sup>
  - Acquisition of 14.9% shareholding for A\$9.35 cash on 14 December 2010
  - Fletcher Building will receive Crane's A\$0.22 interim dividend and the A\$0.50 special dividend in respect of this shareholding

1. Before significant items

2. Based on research reports from Goldman Sachs, Credit Suisse, JPMorgan, Deutsche, and RBS dated 21 January 2011

3. Total implied value based on A\$3.50 in cash plus one Fletcher Building share at the closing share price on the ASX of A\$6.07 on 25 January 2011 and on the basis that Crane pays a A\$0.50 fully franked special dividend



## Revised Offer timetable and conditions

<i>Bidder's Statement and Target's Statement</i>	<ul style="list-style-type: none"> <li>• Supplementary Bidder's Statement will be lodged with ASIC and ASX on 4 February 2011</li> <li>• Target's Statement to be lodged on 7 February 2011</li> </ul>
<i>Accepting the Revised Offer</i>	<ul style="list-style-type: none"> <li>• Shareholders can lodge acceptances at any time by filling out and returning their Acceptance Form (including the Acceptance Form provided with the Bidder's Statement dated 10 January 2011)</li> </ul>
<i>Offer Period</i>	<ul style="list-style-type: none"> <li>• Offer closes on 25 February 2011, unless extended</li> </ul>
<i>Regulatory Approvals</i>	<ul style="list-style-type: none"> <li>• Approvals from FIRB, OIO, ACCC, and NZCC are all expected before the end of the offer period on 25 February 2011</li> </ul>
<i>Other Key Conditions</i>	<ul style="list-style-type: none"> <li>• 90% minimum acceptance condition</li> <li>• No regulatory action</li> <li>• No material adverse change in Crane</li> <li>• No further dividends or distributions (other than A\$0.22 interim dividend and A\$0.50 special dividend)</li> </ul>



## Summary of transaction metrics















- Total implied value to be received by Crane shareholders of A\$10.07<sup>1</sup> represents an enterprise value for Crane of A\$939m (NZ\$1,221m<sup>2</sup>)
- When Fletcher Building's 14.9% stake is included at A\$9.35 less Crane's A\$0.22 interim dividend the total equity value on this basis is reduced to A\$786m
- Gearing increases from 26.8% to approximately 34% (pro forma FY10)<sup>3</sup>
- FY10 Pro Forma EPS before significant items (before synergies and transaction costs) increases from 39.6 A¢ to 40.0 A¢

Metrics	A\$
Total Implied Value per share	\$10.07
Total Shares on Issue (m)	79.1
Equity Value	\$797m
Net Debt	\$160m
Other	\$1m
less: Associates at Book Value	(\$37m)
add: Interim dividend payable	\$17m
<b>Enterprise Value</b>	<b>\$939m</b>
EBIT ex-associates (FY11) <sup>4</sup>	\$74.4m
NPAT (FY11) <sup>2</sup>	\$38.7m
EV / EBIT ex-associates (FY11)	12.6x
P/E (FY11)	20.6x

1. Total implied value based on A\$3.50 in cash plus one Fletcher Building share at the closing share price on the ASX of A\$6.07 on 25 January 2011 and on the basis that Crane pays a A\$0.50 fully franked special dividend
2. Based on estimated exchange rate of A\$1.00 = NZ\$1.30 at 28 January 2011
3. Interest bearing debt (including capital notes) to interest bearing debt (including capital notes) and equity
4. Based on earnings implied by Crane's guidance: FY11 NPAT before significant items of A\$38.7m (5% increase on A\$36.8m in FY10), FY11 EBIT before significant items and excluding income from associated of A\$74.4 (15% increase on A\$64.7m in FY10)



## Overview of Crane's businesses

Crane Division (FY10 in A\$m, to nearest million)	Aust.	NZ	Revenue	EBIT <sup>1</sup>	Key Brands
<p><b>Pipelines</b></p> <p>Manufacturer and distributor of pipes and fittings from 15mm to 2,000mm in diameter with 20 manufacturing and distribution facilities across Australia and New Zealand</p> <p>Building applications include: civil works, houses and commercial buildings, on farm irrigation, telecommunications, and mining and industrial projects</p>	✓	✓	505	37 <sup>2</sup>	    
<p><b>Trade Distribution – Australia</b></p> <p>More than 240 stores under the Tradelink, Hudson Building Supplies, Northern's, Mico, Bathroom Basement and H&amp;L brands</p> <p><b>Tradelink</b> – Plastic pipe and plumbing products distribution through a network of 220+ branches</p> <p><b>Hudson</b> – Hardware and timber supplies</p>	✓		902	41	  
<p><b>Trade Distribution – New Zealand</b></p> <p>Nationwide network of 100+ branches primarily targeting trade</p> <p><b>MasterTrade</b> – Plumbing, bathroom, and electrical supplies</p> <p><b>Mico</b> – Pipelines, plumbing, and bathroom supplies</p> <p><b>Corys</b> – Electrical products</p>		✓	301	1	  
<p><b>Industrial Products</b></p> <p><b>Metals Distribution</b> – Distribution of non-ferrous metal products in Australia and New Zealand</p> <p><b>Crane Copper Tube</b> – Manufacturer of copper tube</p>	✓	✓	300	8	  
<b>Inter-segment revenue eliminations / unallocated EBIT</b>			(144)	(17)	
<b>TOTAL</b>			1,863	70 <sup>2</sup>	

1. Excluding significant items

2. Includes A\$6m share of NPAT from Mitchell Water JV

Source: Crane FY10 Annual Report and Crane Group



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Further information concerning the Revised Offer will be available in the Supplementary Bidder's Statement to be released on 4 February 2011. The Bidder's Statement and Supplementary Bidder's Statement should be read in full and should be read in conjunction with other publicly available material before any person makes any decision or takes any action in relation to the Revised Offer.

The implied value of the Revised Offer will vary as the market price of the Fletcher Building shares on the ASX changes from time to time.

