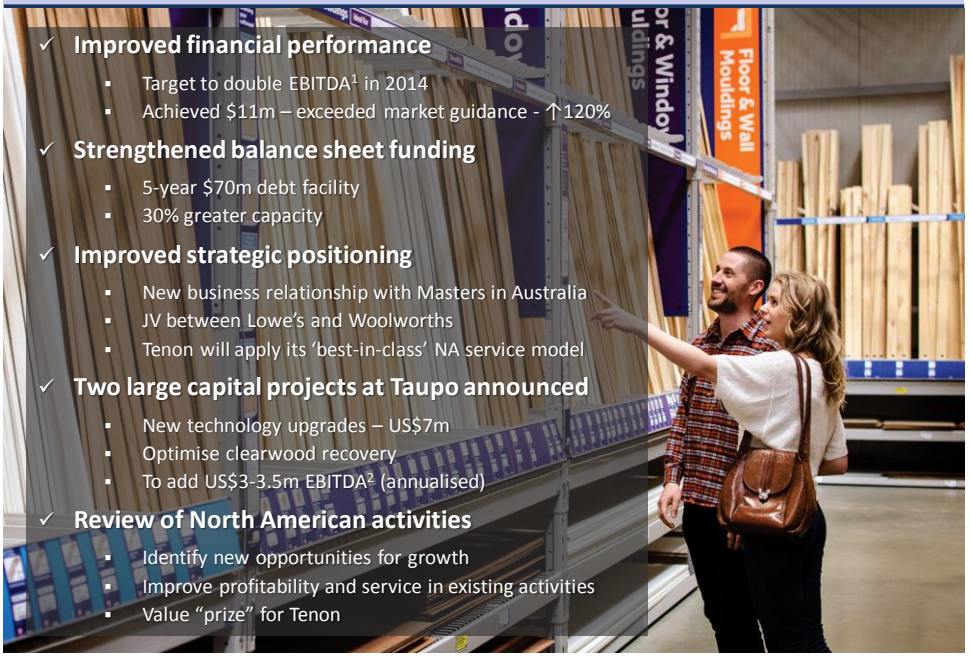
Annual Shareholders' Meeting - 2014

Luke Moriarty

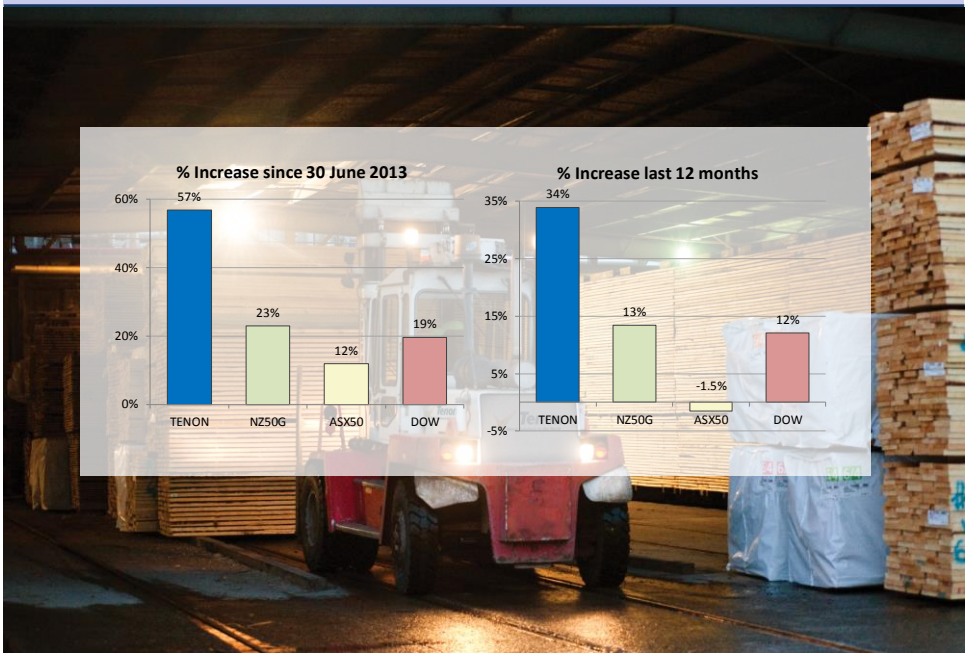
CEO

Tenon 2014 – a good year

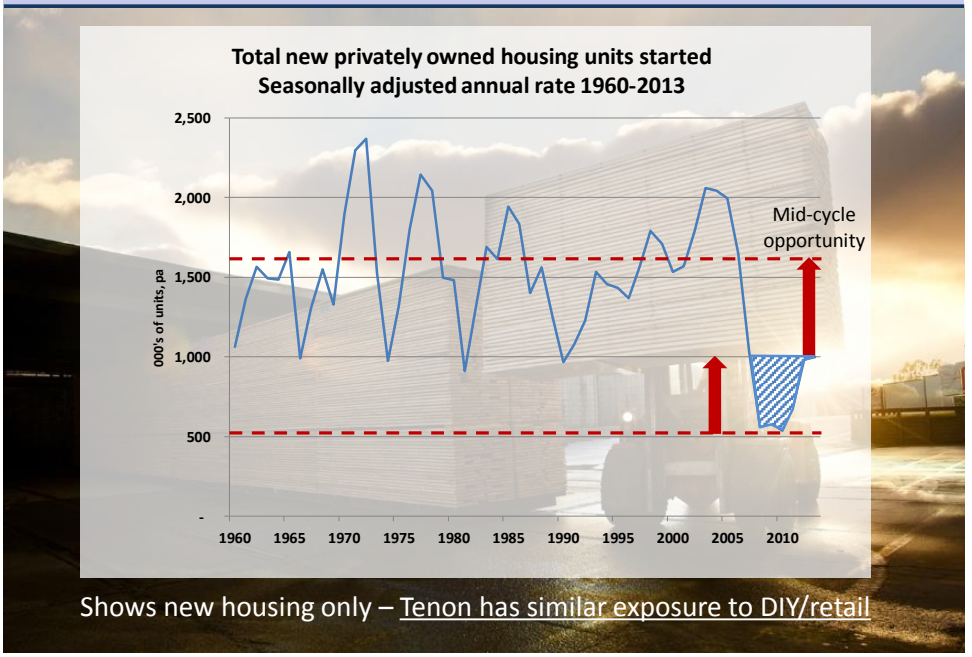


- ✓ **Improved financial performance**
  - Target to double EBITDA[1] in 2014
  - Achieved $11m – exceeded market guidance - ↑120%
- ✓ **Strengthened balance sheet funding**
  - 5-year $70m debt facility
  - 30% greater capacity
- ✓ **Improved strategic positioning**
  - New business relationship with Masters in Australia
  - JV between Lowe's and Woolworths
  - Tenon will apply its 'best-in-class' NA service model
- ✓ **Two large capital projects at Taupo announced**
  - New technology upgrades – US$7m
  - Optimise clearwood recovery
  - To add US$3-3.5m EBITDA[2] (annualised)
- ✓ **Review of North American activities**
  - Identify new opportunities for growth
  - Improve profitability and service in existing activities
  - Value "prize" for Tenon

Tenon 2014 – a good year … reflected in the share price



Tenon 2014 – US housing cycle recovery



Shows new housing only – Tenon has similar exposure to DIY/retail

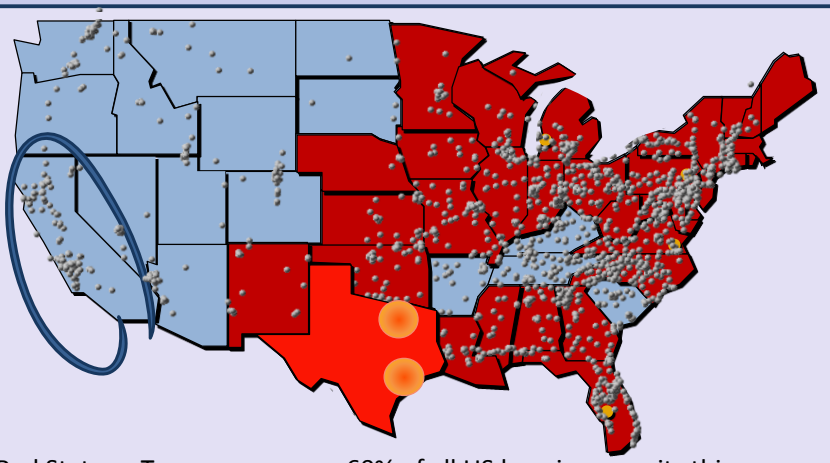
Tenon – mid-cycle EBITDA upgraded

- Cyclical recovery alone should drive strong earnings growth
- Organic growth is additive -
  - Market share growth
  - Product range expansion
  - Improved manufactured product mix
  - Operational efficiency gains
  - Enhanced exposure to pro-dealer segment

Repeat our upgraded mid-cycle EBITDA[1] guidance of US$45m per annum[3]

Acquisitions/M&A remains firmly on the agenda – Tenon well positioned

Tenon – presence in key new house building States



- Red States = Tenon coverage ≈ 60% of all US housing permits this year
- Core Texas market for Tenon
  - Houston and Dallas alone permitted more new homes than all of California
  - 162,000 new home permits in Texas over past 12 months
  - Approx 7x the # of permits issued in NZ
- Tenon is well positioned for recovery

Tenon – establishing strong in-market position

During the down-cycle -

- New home construction -
  - Doubled revenue base with professional builder segment
  - Supplying into leading regional pro-builder chains
- Retail / DIY
  - Full-servicing 750 Lowe's stores … ↑35% on previous cycle
  - Lowe's Vendor Of The Year Award – industry leading service
  - Products now sold into 2,500 large-format home centre stores
- 20% + of distribution revenues from new products

Tenon – strategic positioning

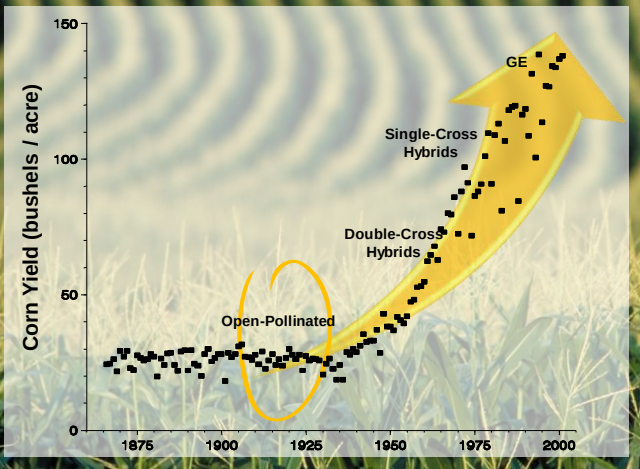
Tenon is a clear leader in the spaces in which it operates

An enviable market position		Category	Market position
Wholesale Manufacturing & Distribution	FLETCHER WOOD SOLUTIONS	Imported clears (includes FJ)	Top five
		Imported solid appearance	#1
Full Service Distribution	EMPIRE	Interior mouldings	Top three
		Lowe's mouldings	#1
	SOUTHWEST MOULDING CO.	2-Step distribution (Texas)	Top three
		Stair parts (Texas)	#1
Specialty Manufacturing & Customised Distribution	ornamental mouldings www.ornamental.com	Hardwood mouldings	Top five
		Big Box decorative mouldings	#2

- Growth by merger and/or acquisition remains firmly on the agenda

ArborGen 2014 review

ArborGen – the agriculture comparison

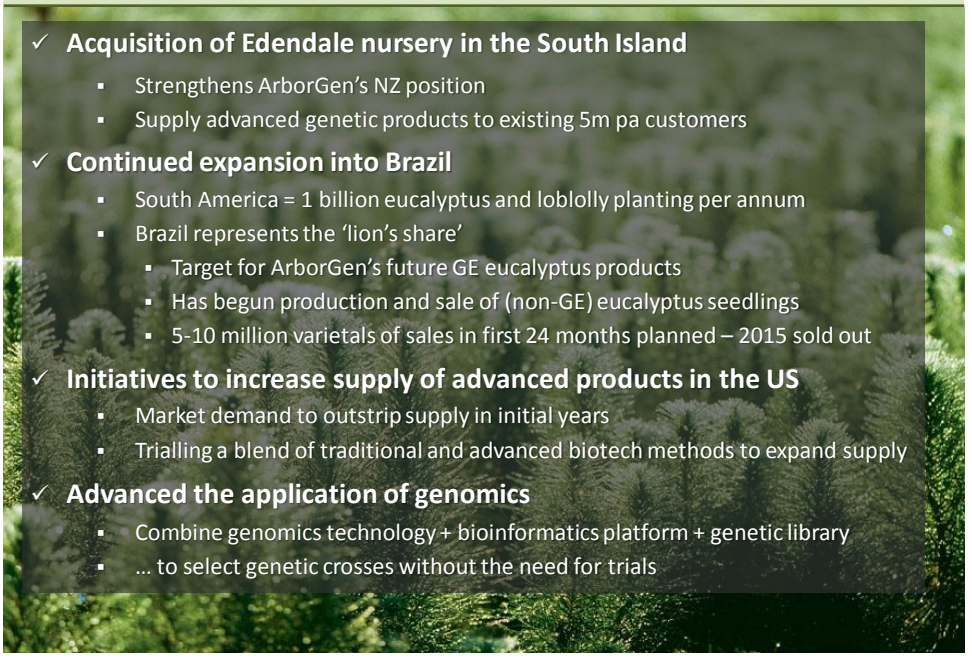


- Forestry to proceed along a similar path – but faster
- Potential for ArborGen is large
- **How is ArborGen faring with this opportunity?**

ArborGen – conversion to high value products in 2014

- ✓ **Advanced genetics sales goal -**
  - To increase US sales volumes by 50% 'y-o-y'
  - This aggressive target was exceeded – sales increased 55%
- ✓ **45 million MCP and varietal seedlings were sold in the US in 2014**
  - Almost 3 times the number sold only 2 years earlier
- ✓ **Increase proportion of advanced genetic sales in the US -**
  - 8% in 2012
  - 14% in 2013
  - 21% in 2014
- ✓ **Advanced genetics sales increased to almost 25% of total volumes**
- ✓ **Average selling price increased 15% y-o-y in the US**
- ✓ **ArborGen remained on track**

ArborGen – other 2014 initiatives

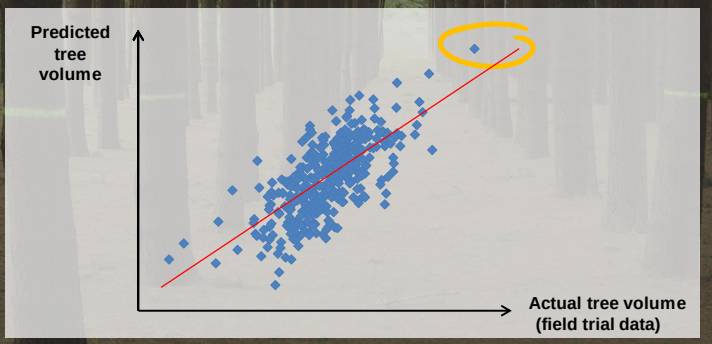


- ✓ **Acquisition of Edendale nursery in the South Island**
  - Strengthens ArborGen's NZ position
  - Supply advanced genetic products to existing 5m pa customers
- ✓ **Continued expansion into Brazil**
  - South America = 1 billion eucalyptus and loblolly planting per annum
  - Brazil represents the 'lion's share'
    - Target for ArborGen's future GE eucalyptus products
    - Has begun production and sale of (non-GE) eucalyptus seedlings
    - 5-10 million varietals of sales in first 24 months planned – 2015 sold out
- ✓ **Initiatives to increase supply of advanced products in the US**
  - Market demand to outstrip supply in initial years
  - Trialling a blend of traditional and advanced biotech methods to expand supply
- ✓ **Advanced the application of genomics**
  - Combine genomics technology + bioinformatics platform + genetic library
  - … to select genetic crosses without the need for trials

ArborGen – application of genomics technology

To test the technology -

- Took known outcomes from **existing** field trial data
- … and compared them with the **predicted** model values
- Genomics model showed strong correlation
- Precisely determined **the** top performer
- Exciting development with huge potential



ArborGen – 2015 targets

- **Increase last year's 265m seedling sales volume by 10%**
- **Increase revenue year-on-year by 15-20%**
- **Supported by -**
  - Long-term customer sales contracts targets
  - ≈ 30% of current pine volume sold in the US
  - To cover future price, volume, and stock type, by customer
- **Achieve a positive EBITDA 'run-rate' by end CY '15**
  - Industry harvesting and replanting levels must lift to achieve this
  - Must also meet initial production plan in Brazil

ArborGen – business plan

- **These initiatives -**
  - Central to increasing financial performance
  - Also fundamental to obtaining full value in IPO
- **Executing against existing business plan**
  - **ArborGen's core business objectives**
    - Expand unit sales volumes
    - Lift adoption rate, increase the 'y-o-y' sales of higher value genetics
    - Raise the ASP per unit
    - Increase % of sales that are 'locked in' under long-term customer
    - Lower unit production costs
    - Expand the internal supply of advanced products
  - **ArborGen's growth opportunities**
    - Execute the eucalyptus varietal roll-out in Brazil
    - Extend into Brazil pine elite seedlings and varietals
    - Follow-up with GE products
    - Access expansion opportunities in existing markets
    - Initiate a 'toe in the water' in China

ArborGen – business plan

- **Initiatives list requires funding to –**
  - Meet working capital needs as the business grows
  - Expand production base to meet increased demand
  - Undertake acquisitions where strategic benefit is compelling
- **Preferred capital raising path for ArborGen remains an IPO**
  - Not the defining event for the company
  - Rather, a liquidity and financing event
  - … to raise the external capital to meet full potential
  - Greater value recognition would occur as -
    - Growth is realised
    - Fuller public market disclosures directly by ArborGen
  - Trade-off between
    - Desire to achieve appropriate value in IPO
    - The need to raise sufficient capital to fund growth
    - These two goals may drive different timing outcomes

Goal remains to IPO – partners are aligned in that objective

Notes

Forward Looking Statements

There are statements 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 Rubicon, and our Tenon and ArborGen investments, some of which are beyond our control. As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements. Tenon's risks and uncertainties include - that its 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, foreign exchange changes, commercial and residential construction activity, capital availability, housing turnover and pricing, levels of repair and 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. ArborGen's risks and uncertainties include (in addition to those of Tenon) - the global markets and geographies in which it operates, intellectual property protection, regulatory approvals, public and customer acceptance of genetically engineered products, customer adoption of advanced seedling products, the success of ArborGen's research and development activities, weather conditions and biological matters. As a result of the foregoing, actual results and conclusions may differ materially from those expressed or implied by such statements.

Non-GAAP Measures

1 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 define or utilised this measure may not be comparable with similarly title 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. In Tenon's case, it can be derived from its Consolidated Income Statement (Refer Tenon 2014 Annual Report) by taking Tenon's Net Profit / Loss after Taxation of US$2 million (2013, US$-3m), and adding back Income Tax Expense of US$1 million (2013, US$ nil), Financing Costs of US$4 million (2013, US$4m), and depreciation & amortisations of US$4 million (2013, US$4m) = US$11 million (2013, US$5m).

2 Assumes operating to equipment manufacturer's stated efficiencies, full sales of additional volumes, a NZD:USD < 80 cents, and the current product mix.

3 Assumes NZD:USD cross rate of 70 cents, housing starts of 1.65 million, retail unit comps of 5% pa, and historic operating margins.