



Braas Monier: Assessment of Fair Value

October 2016

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We have witnessed the disingenuous debate on valuation between 40 North and Braas Monier with interest. The debate included unsupported valuation assertions. Therefore, we have presented our view on valuation in the following pages and more of our valuation methodologies will be made available to our fellow investors upon request and as we prepare for a legal confrontation in Europe.

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A Takeover Offer at €25 is a Mistake

- €25 does not reflect Braas Monier's qualities:
 - Strong market position as the European leader in roofing solutions
 - Efficient cost structure and very high cash generation
 - Nascent recovery in European construction to drive substantial organic growth
 - Well-regarded management team who have added growth through accretive add-on acquisitions
- A value proposal at €25 / share is a mistake
 - The offer was opportunistically launched before Braas Monier's share price recovered from the Brexit effect
 - At €25, Braas Monier has a cash flow yield of 8.2% pre-synergies¹ and 10.3% - 11.1% including synergies¹
 - Other valuation metrics (P/E 13.2x² and EBITDA of 8.3x²) tell a similar story
 - Comparable takeovers show a premium of c. 32%, implying a fair price of €28.75 or even €32.80 using the pre-Brexit share price
 - Adjusting the discount rates for the valuation of pensions to German GAAP adds €2-3 per share
- Attempting control with a 40% stake is a mistake under European law
 - Not in the best interests of all shareholders
 - Violates conflict of interest rules
 - Proceeding at €25 / share could be 'an expensive way to save money'

● Summary conclusions:

- **We will not tender our shares at €25 / share**
- **Our target share price for this tender offer is €28.50 - 31.00 / share**
- **We recommend all shareholders follow our approach**
- **We offer to represent all shareholders in legal conflicts that may arise in Europe should 40 North want to bend the rules**

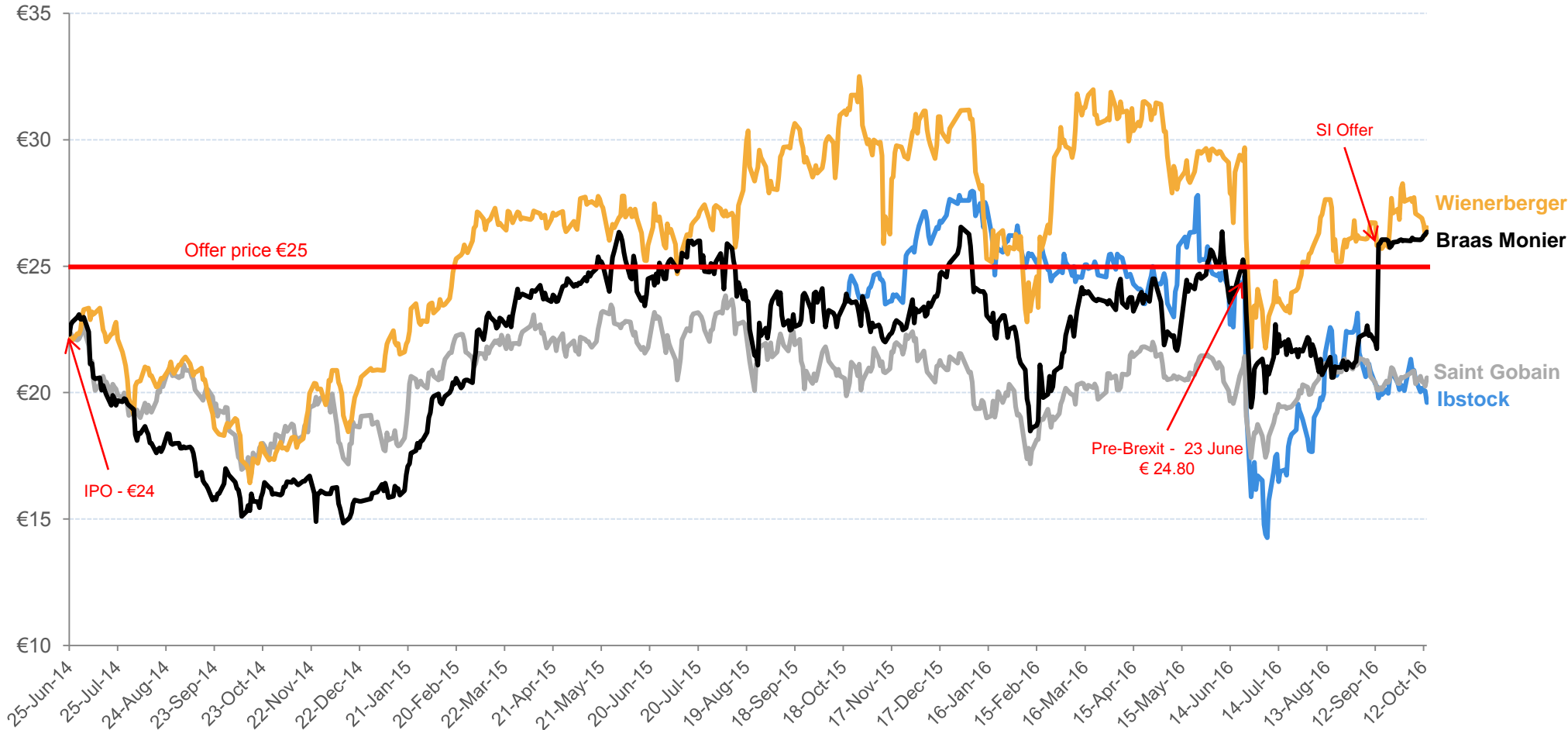
1) Based on Braas Monier's management guidance of recurring FCF of €80m, synergies of €30-40m and a tax rate of 29.22%.

2) Based on average of 2017 broker estimates for net income and EBITDA from Bloomberg prior to the announcement of the offer and not adjusting net debt for pension liabilities calculated under German GAAP.

Opportunism from 40 North: €25 / Share is not Uncharted Territory

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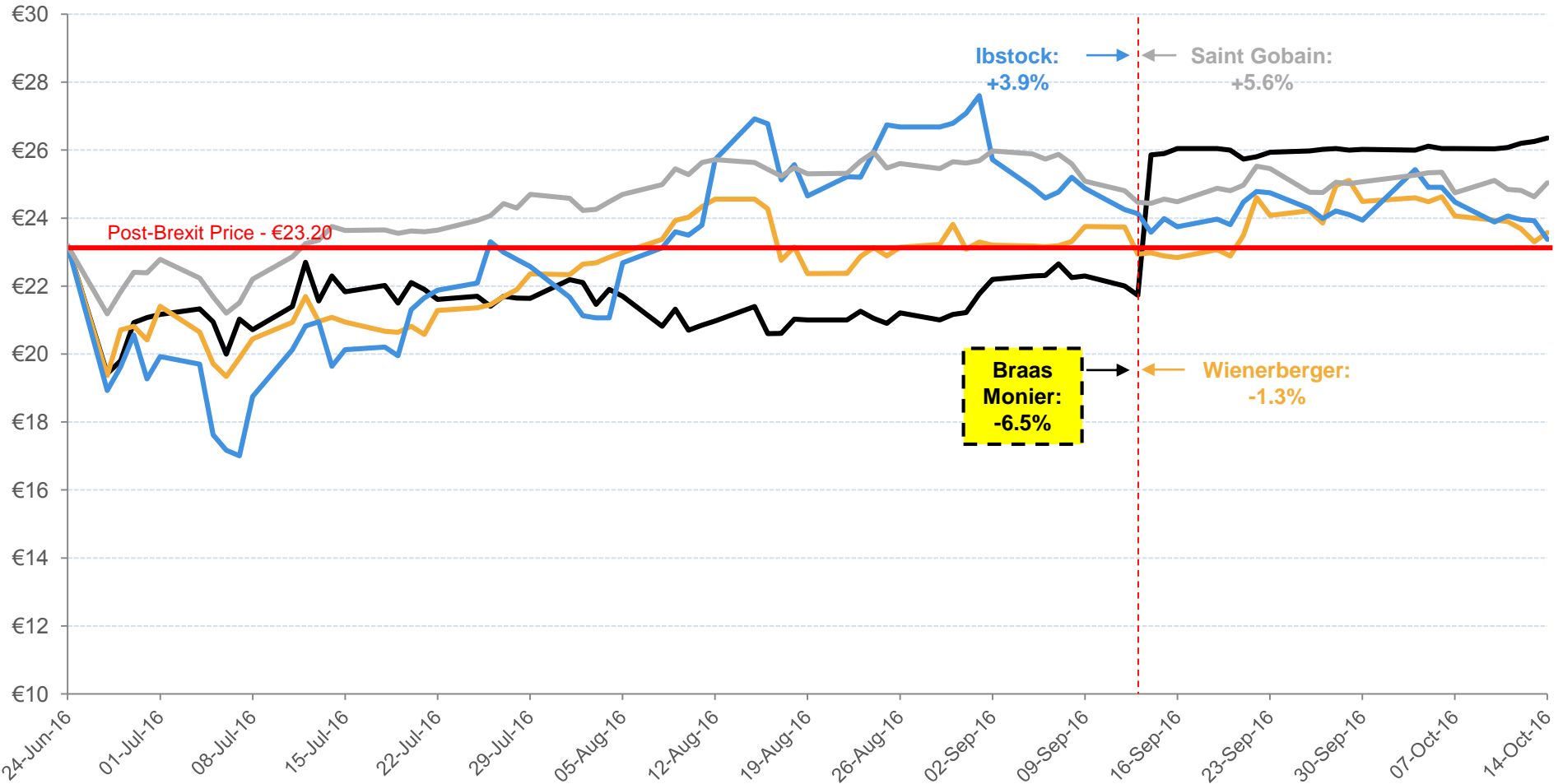
In fact, it has been charted 3 times in the last 18 months



Source: Bloomberg data as of 14 October 2016.
Note: Price performance relative to Braas Monier.

40 North Taking Advantage of Brexit?

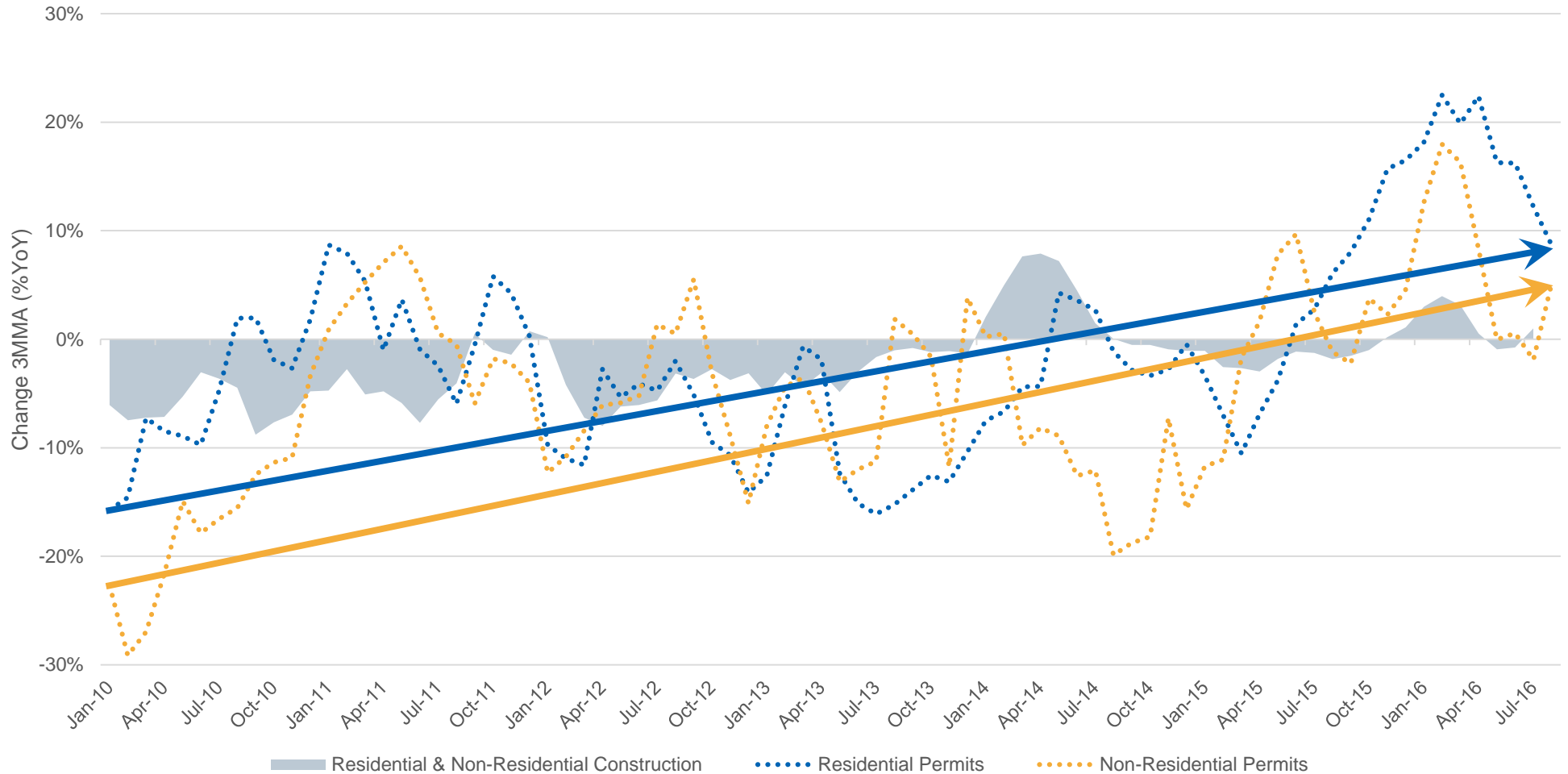
Braas Monier was the only one of its peers that had not recovered from Brexit



Source: Bloomberg data as of 14 October 2016
Note: Price performance relative to Braas Monier.

Strong Recovery in European Construction Underway

Building permits are elevated and construction output has not yet caught-up



Source: Eurostat

Exceptionally Low Takeover Premium Offered

- The 15% premium offered is less than half the ~32% seen in relevant transactions¹
- A fair offer price, using a market-average premium, would be €29 assuming post-Brexit share price and €33 assuming a pre-Brexit share price²

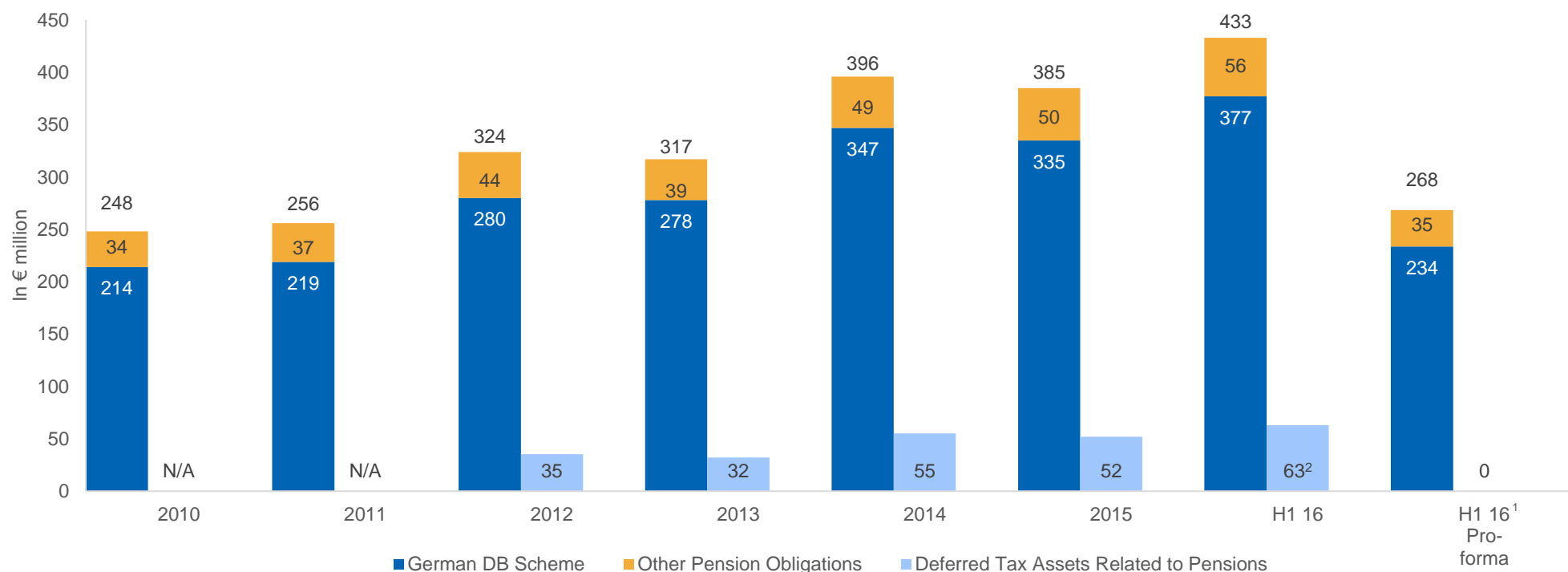


1) Relevant transactions include proposed, pending and completed deals with German targets with market cap >€100m within the last 12 months.

2) Closing price on 23 June 2016 of €24.80.

Pension Liabilities Disproportionately Inflated

- German defined-benefit pension schemes are disproportionately hit by the current interest-rate environment
- German GAAP (and German tax GAAP) suggest we use rolling long-term interest rates, which we estimate at 4-4.25%
- Applying this approach to Braas Monier reduces the net pension liability by €102m or €2.59 / share



Discount rates used by Braas Monier's pension valuation:

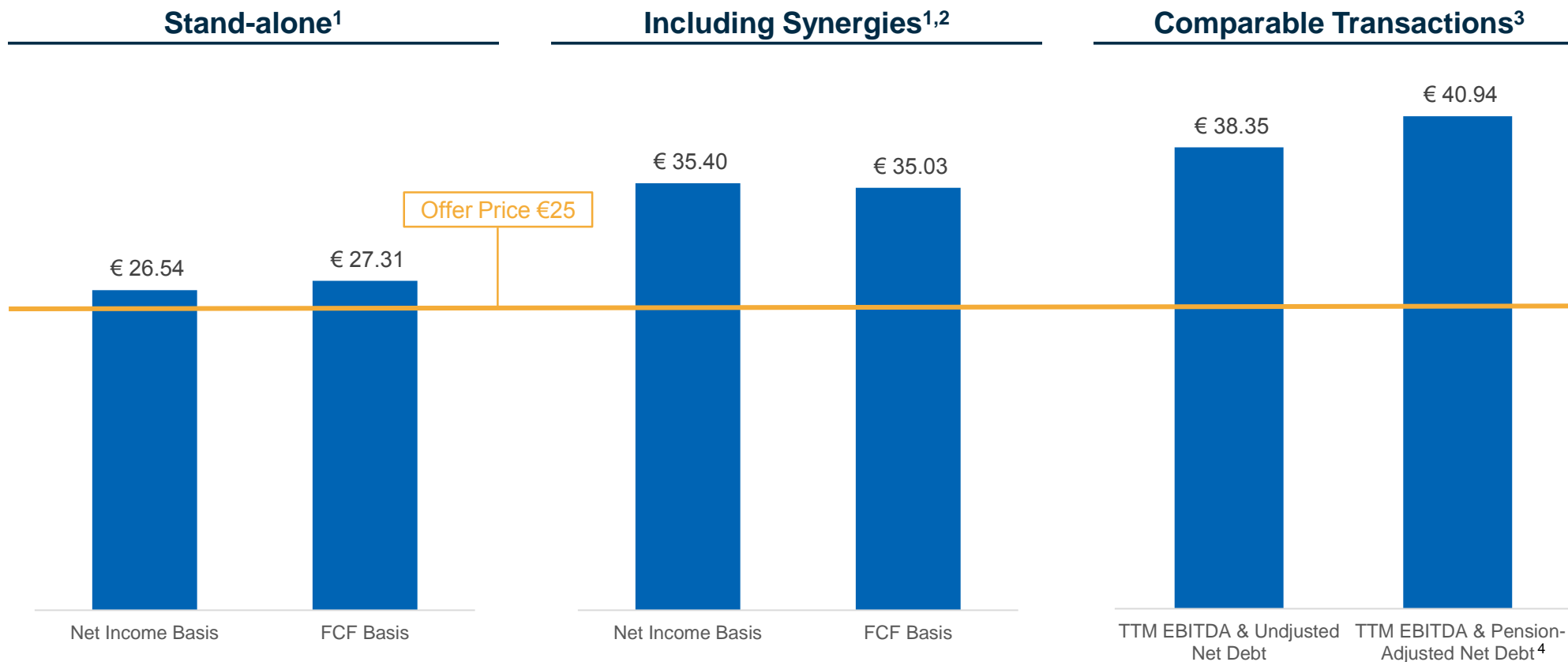
	2010	2011	2012	2013	2014	2015	H1 16	H1 16 ¹
Total	5.39%	5.22%	3.42%	3.55%	2.14%	2.31%	N/A	N/A
German	5.40%	5.30%	3.40%	3.50%	2.05%	2.20%	1.45%	4.15%
Other	5.34%	4.88%	3.54%	3.81%	2.61%	2.85%	N/A	N/A

1) Assumes a 4.15% discount rate and conservatively assumes the DTA goes to zero.

2) As per Braas Monier letter dated 23 September 2016, page 8.

Braas Monier's High-Quality Business is Blatantly Undervalued... PETRUSADVISERS

Braas Monier is worth more than €25 as a stand-alone entity and much more when synergies are considered!

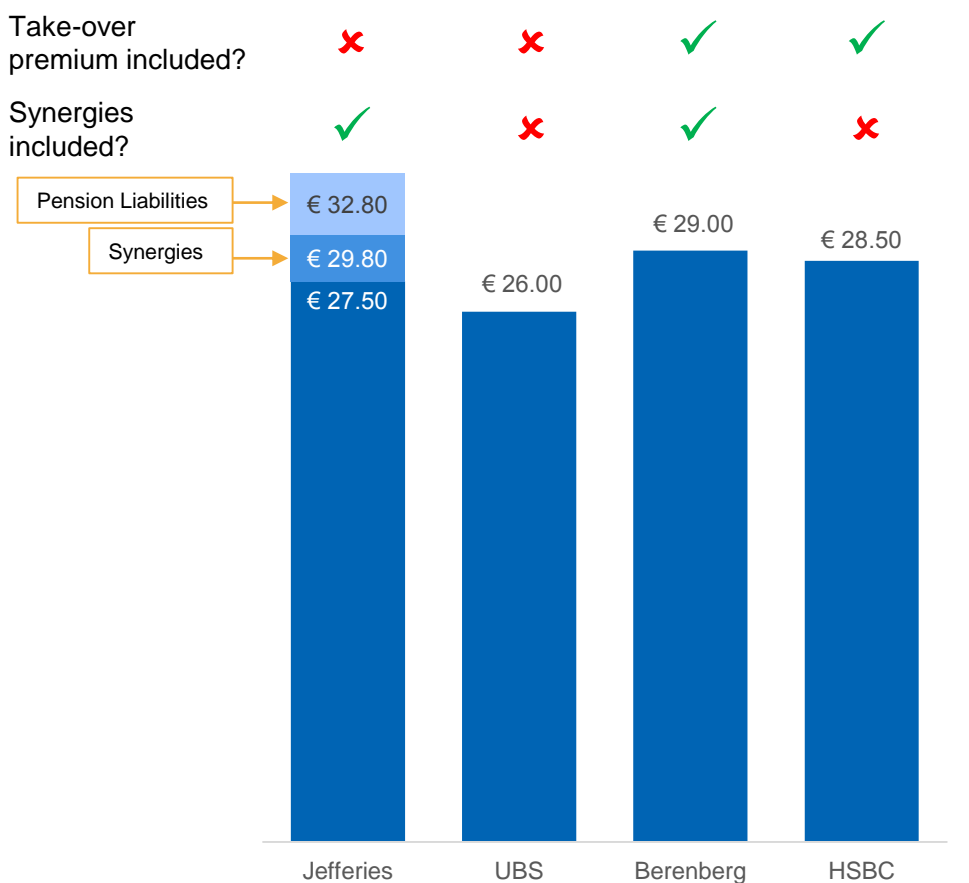


- 1) Valuations based on Bloomberg estimates of net income and free cash flow prior to the announcement of the takeover offer (2017 expected values used in order to fully reflect the financial restructuring carried out by Braas Monier) and median peer multiples for light building product manufacturers. Peers include Wienerberger, Ibstock, and Compagnie de Saint Gobain.
- 2) Synergies represent the average estimated synergies from the combination of Braas Monier and Icopal taken from the letter to shareholders dated 23 September 2016 at a tax rate of 29.22%.
- 3) Comparable transactions include strategic buyers of European companies larger than €250m in the building completion products industry.
- 4) Net Debt has been adjusted for pensions under German GAAP. German GAAP suggests we use rolling long-term interest rates, which we estimate at 4-4.25%. Assuming 4.15% and an effective tax rate of 29% adds €2.59 to the estimated value / share.

... Research Analysts Agree

- Research believes Braas Monier is worth €26 - 28 stand-alone
- The street suggests €28.50 - 30.00 (including synergies) is the absolute minimum shareholders should accept

Price Targets



Rationale

Jefferies - Buy - 25 Sep 2016

“Standard Industries' current proposed €25 per share offer undervalues Braas Monier in our view. **Our unchanged standalone mid-cycle based valuation is €27.5 per share.** Using Braas Monier's **synergy estimate**... there would be an **additional €2.3** of value per share. A more conservative view on the company's **pension liabilities could add a further €2-3** per share.

UBS - Buy - 14 Sep 2016

“Our price target of €26 is based on DCF using a long-term EBIT margin of 12% and WACC of 8%. **Our valuation does not include a takeover premium or any value attributed to synergies to a buyer of the business.**”

Berenberg - Buy - 5 Oct 2016

“... the shares are fully valued at €26. However, with respect to the offer, **we believe that €29 per share is the minimum shareholders should accept, especially as the group is still near trough earnings.** In our view, the bid by SI is too low... This bid values Braas at 9.4x LTM EBITDA, less than the c10.5x that SI paid to acquire the roofing business Icopal.”

HSBC - Buy - 5 Oct 2016

“Braas **investors** looking to benefit from the company's recovery, refinancing and cash flow potential **seem reluctant to give up on the upside of Braas's business model at the offered price in light of positive lead indicators and end market trends.**”

Source: Bloomberg, UBS research (14 Sep 2016), Berenberg Research (5 Oct 2016), HSBC Research (5 Oct 2016), Jefferies Research (25 September 2016)

Note: Includes research views published after the 15 September announcement of the tender offer and excludes MainFirst Bank.