

Knauf sets its sights on \$400m but Fletcher Building not in mix



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Knauf has apparently pinned its hopes on achieving a price for a stake in its Australian plasterboard and ceilings business that values the overall operation at up to \$400m, as global trade buyers and private equity groups line up to examine the assets that are soon to be on offer.

However, one company that is unlikely to be in the mix, according to some, is Fletcher Building.

On the face of it, Fletcher seems like the natural buyer for the operation, given that it has a strong plasterboard business across the Tasman and understands the plasterboard manufacturing industry.

Yet the thinking is that the company does not have the backing from its investors right now to embark on transactions, given it has recently cancelled its interim dividend payment, is suffering from a lower share price and is addressing challenges linked to COVID-19.

Fletcher Building declined to comment.

It is trying to sell its Rocla concrete pipes division and it will be interesting to see what parties line up for that operation and what view they take on the state of its technology, given more advanced products are now in the market.

Working on the sale of the Knauf operation is Bank of America, while PwC is carrying out the vendor due diligence.

Apparently, Knauf went far and wide to find an adviser for the business, inviting as many as 15 banks to pitch. But it is understood BoA's pledge to try to secure a price valuing the operation at about \$400m was what won the German-based group over.

On that basis, some parties have opted not to line up for the assets, arguing that they are worth about half that.

Knauf's Australian plasterboard assets generate between \$50m and \$60m of earnings before interest, tax, depreciation and amortisation, but it is understood that only part of the portfolio is for sale.

The world's largest providers of plasterboard are based in China, yet current political tension between the Asian powerhouse and Australia is likely to rule such groups out of the running.

Some others in the US might take a look.

While James Hardie previously had plasterboard operations, it is thought to be unlikely to be interested, given that the product has become more commoditised.

Boral had a plasterboard joint venture across Asia and Australia and New Zealand with USG, but Knauf bought out USG in a deal last year worth \$US7bn.

On offer are believed to be the assets that the German family-controlled Knauf owned before it gained an interest in plasterboard assets that USG jointly owned with Boral, along with its ceilings business, which is only a small part of the portfolio.

The sale has been triggered by ACCC competition concerns.

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Bridget Carter has worked as a writer and editor for The Australian's DataRoom column since it was launched in 2013, focusing on capital markets, mergers and acquisitions, private equity and investment banking.... [Read more](#)

