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Banks pitch for Tradelink sale mandate

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Fletcher Building is understood to have sent out a request for proposals to the market to appoint an investment bank to sell its Tradelink business that it flagged last week would be sold.

Goldman Sachs has been Fletcher Building's defence adviser, but it is understood that smaller boutique advisory houses have been approached for a sale of plumbing supplies business Tradelink.

Deal makers have been giving some serious thought as to who could be the buyer for the business that is up against dominant industry plumbing player Reece.

While private equity firms could take a look, another option is that an existing trade buyer could buy the business, which is based offshore.

One left-field candidate could be the Australian listed retailer Metcash, which owns Total Tools and operates Mitre 10 stores, although many believe it could sidestep the auction.

The last time Fletcher Building sold one of its business units in Australia was when it placed its Rocla pipes business up for sale that was purchased by CPE Capital in

2021 for about $NZ60m.

It had earlier sold its Rocla Quarries business to Hanson, reaping $203m.

Fletcher, which is listed in Australia and New Zealand, secured the Rocla business in 2005 from Amatek as part of a wider $530 million acquisition.

One market expert said businesses like Tradelink sell for about seven to eight times their annual earnings before interest and tax.

The business is valued by Fletcher Building at about $NZ150m and some had suggested perhaps it could achieve a price of about $200m to $300m.

Tradelink sells products such as vanities, bathrooms, toilets fixtures and fittings for bathrooms, kitchen and laundries.

Fletcher Building inherited Tradelink as part of its acquisition of its Crane Group in 2010 for $740m.

Some have queried whether Fletcher Building staged an exit from the Australian market, but outgoing Ross Taylor said no other Australian businesses were for sale.

Fletcher Building last week made a non-cash impairment and writedown to the carrying value of Tradelink of $NZ122m and said further ownership of the business was not in line with the strategic objectives of Fletcher Building.

Fletcher Building made a $NZ120m loss for the six months to December compared to a $NZ92m net profit in the previous corresponding period.

Morgan Stanley said in a research note the result was an earnings miss with guidance implying a downgrade to its full year results of about 12 per cent against analyst consensus.

Analysts said that the sale of Tradelink, the suspension of dividends and reduction in capital spending would relieve pressure to the Fletcher Building balance sheet.

Its net debt at December was $1.94bn.

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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. S... Read more