

# Renovating Griffon

Opening the door to value creation



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# OVERVIEW & SUMMARY

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## VOSS OVERVIEW

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- Voss Capital LLC is a SEC-registered investment advisor based in Houston, Texas, with \$360 million assets under management.
- We specialize in underfollowed special situations and deep value opportunities, with an emphasis on actionable catalysts for value realization.
- We have had past success collaborating with management teams and boards to unlock shareholder value:
  - **Rosetta Stone (RST) – 62% return over nine months**
    - Identified private market interest in a segment of RST being overlooked in the public market.
  - **Benefytt Technologies – 66% return over nine months**
    - Identified private market interest and encouraged the Board to explore strategic alternatives.
  - **PAR Technology (PAR) – 470% return over four years**
    - Collaborated with the Board to add independent director Savneet Singh, who went on to become CEO of PAR.
  - **Quorum Information Technologies (QIS) – 260% return over six years**
    - Voss analyst Jon Hook was invited onto the Board of QIS to aid with M&A and corporate strategy.

# OVERVIEW: GRIFFON CORPORATION

## Griffon Corporate

### Consumer/Professional Tools

- Consumer & Professional Products segment ("CPP")
- Consumer and professional tools, home organization products
- US, UK and Australia brand portfolios



**\$1.2bn LTM revenue**  
(48% of total)

**\$116mm LTM EBITDA**  
(37% of total)

### Home & Building Products

- Home & Building Products segment ("HBP")
- Clopay - leading North American residential garage door manufacturer
- CornellCookson - leading commercial rolling steel door manufacturer



**\$1.0bn LTM revenue**  
(41% of total)

**\$181mm LTM EBITDA**  
(57% of total)

### Defense Electronics

- Defense Electronics segment ("DE")
- Intelligence, surveillance and communications solutions
- 69% of sales to US government

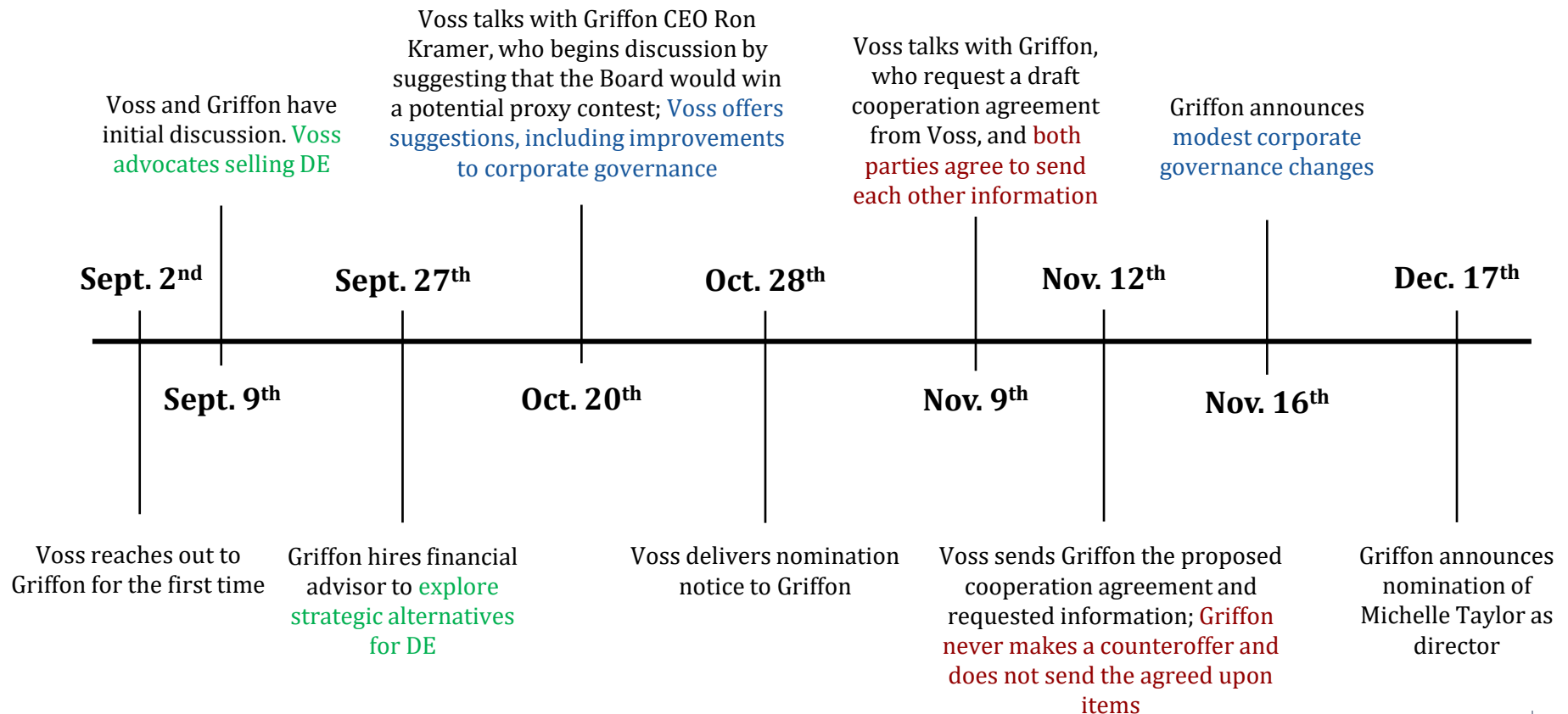


**\$271mm LTM revenue**  
(11% of total)

**\$20mm LTM EBITDA**  
(6% of total)

## EXECUTIVE SUMMARY: KEY DATES

### Voss preferred to avoid a proxy contest, but that was not an option



## EXECUTIVE SUMMARY: SHARE PERFORMANCE AND CORPORATE FUNDAMENTALS

### **History of Poor Shareholder Returns**

- Total Shareholder Return (TSR) in the bottom third of a self-selected proxy peer group<sup>(1)</sup> over the past five years and in the bottom quartile over the past ten years

### **Diluted Value for Attractive Underlying Businesses**

- Outdated conglomerate structure: ~\$50 million per year in unallocated corporate costs
- The Home & Building Products segment alone could be worth > 100% of Griffon's enterprise value

### **Shareholder Value Destroyed by Mismanagement**

- Management has consistently delivered Return on Invested Capital ("ROIC") below Griffon's cost of capital
- EBITDA margins in the largest segment (CPP) have remained below those of the segment's closest peers<sup>(2)</sup>
  - Griffon announced an expensive margin improvement plan in that segment in late 2019, yet margins in FY 2022 will be lower than in FY 2019
- Griffon is selling DE after revenue fell 38% over five years

## EXECUTIVE SUMMARY: CORPORATE GOVERNANCE & EXECUTIVE COMPENSATION

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### **Lack of True Board Independence**

- Griffon has outdated corporate governance provisions, such as a dual chair/CEO and classified board
  - Only after Voss's involvement did Griffon initiate minor changes
- CEO/Chairman Ron Kramer handpicked at least half of the past six Board additions, calling into question the true independence of these candidates
- The recent deal to acquire Hunter Fan exemplifies Griffon's poor corporate governance given a clear related party transaction involving Griffon's Lead Independent Director

### **Egregious Management Compensation**

- Egregious management compensation: \$30 million paid to top four executives in 2021
- Proxy advisors and shareholders have continually registered disapproval for Say-on-Pay
  - Despite this, CEO compensation has doubled over the last five years
  - Griffon had the highest paid CEO of any of its 21 proxy peers on average over the past ten years, while producing bottom tier total returns for shareholders



## EXECUTIVE SUMMARY: VOSS CAPITAL PLAN FOR VALUE CREATION

We believe approximately **\$50 per share in value** could be created through the successful implementation of our five-part plan:

- 1 Follow through with the company's belated sale of Defense Electronics
- 2 Explore alternatives for the company's Home & Building Products segment
- 3 Use cash from transactions to reduce debt and pay a special dividend to shareholders
- 4 Right size corporate overhead, which is bloated by exorbitant executive pay
- 5 Reinvigorate the current failed plan to improve margins in Consumer & Professional Products

### **Truly independent Board nominee**

- Voss Capital has nominated one highly qualified individual, Charlie Diao, who will provide *truly* independent oversight and work to unlock value for all shareholders

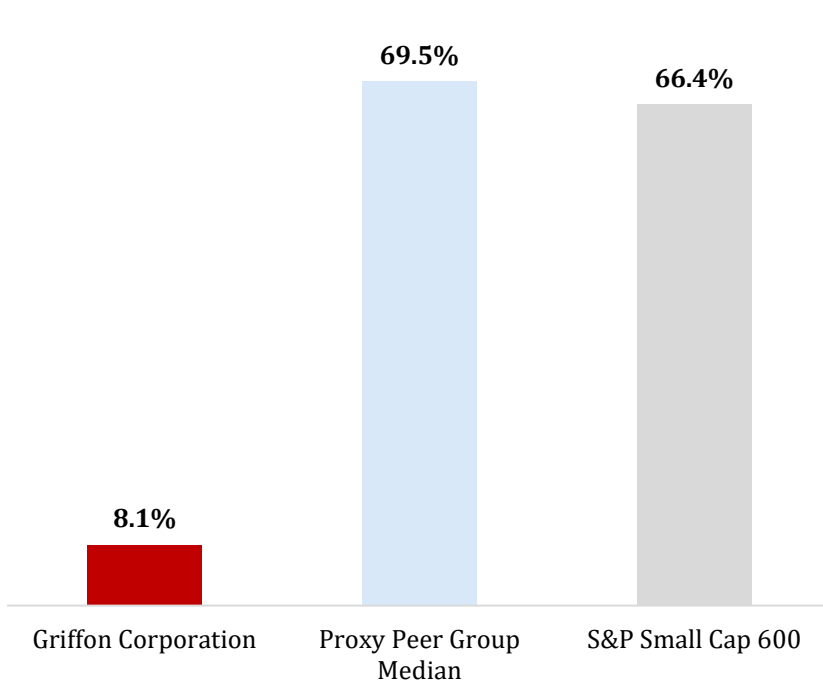
# POOR RETURNS FOR SHAREHOLDERS

## LONG-TERM TSR SHOWS CONSISTENT UNDERPERFORMANCE

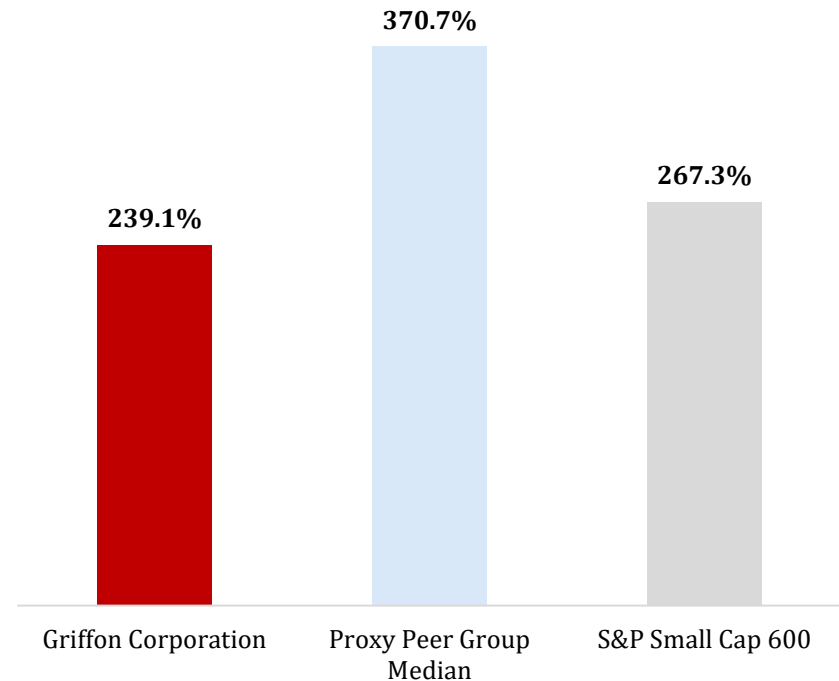
Griffon's TSR **trailed** its self-selected proxy peer group median<sup>(1)</sup> by **61% over the past five years** and by **132% over the past ten years**

- TSR **trailed** the S&P 600 Index<sup>(2)</sup> by **58% over the past five years** and by **28% over the past ten years**

### TSR Over the Past Five Years<sup>(3)</sup>



### TSR Over the Past Ten Years<sup>(4)</sup>



## NEAR-TERM TOTAL SHAREHOLDER RETURN HAS BEEN MIXED

Griffon pointed to its three-year TSR outperformance as evidence of a “proven track record of shareholder value-creation”<sup>(1)</sup>

- This is misleading; this TSR calculation is the result of **Griffon shares falling significantly just prior to the beginning of this measurement period**
- From May 31, 2018, to December 20, 2018 (the starting point of the three-year TSR), **Griffon had a TSR of (53.5%)**
- Griffon’s TSR of 15.7% since May 31, 2018 is less than half that of the S&P 600’s 38.5% TSR

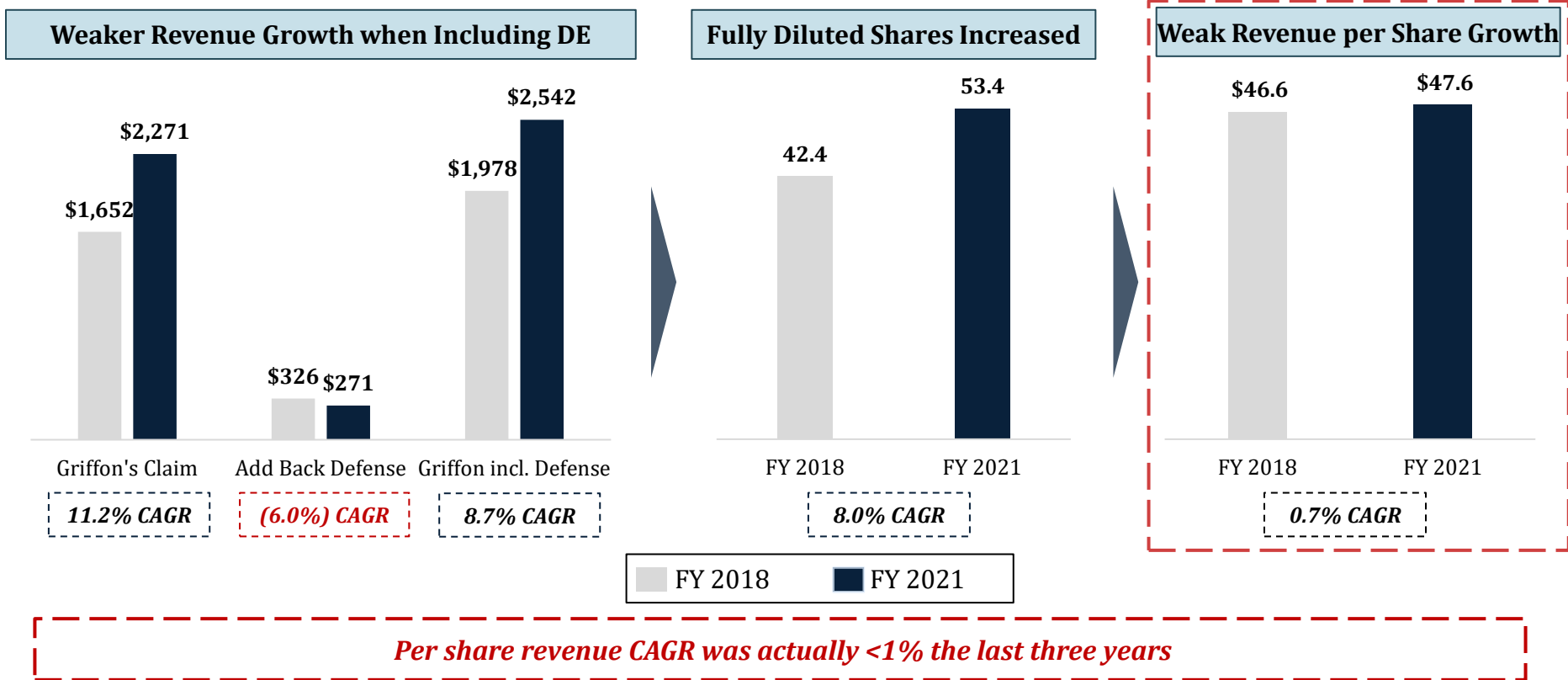
TSR Since May 31, 2018<sup>(2)</sup>



## MEDIOCRE NEAR-TERM FINANCIAL RESULTS

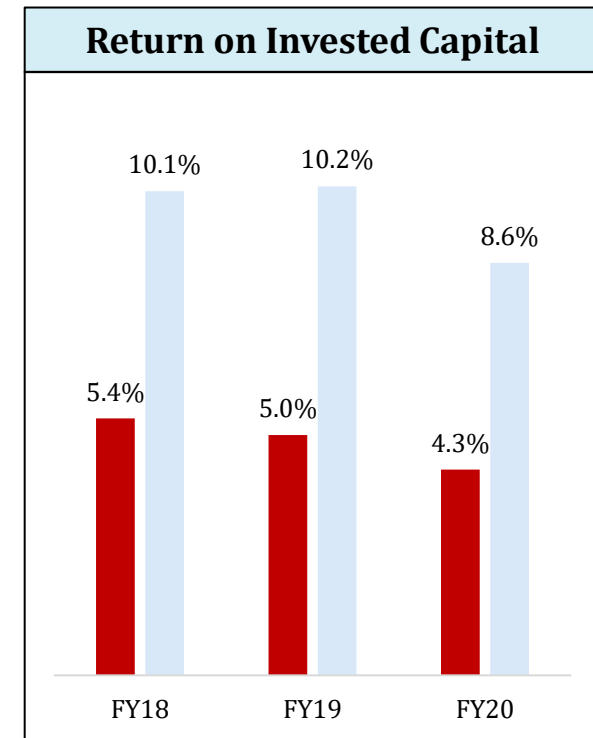
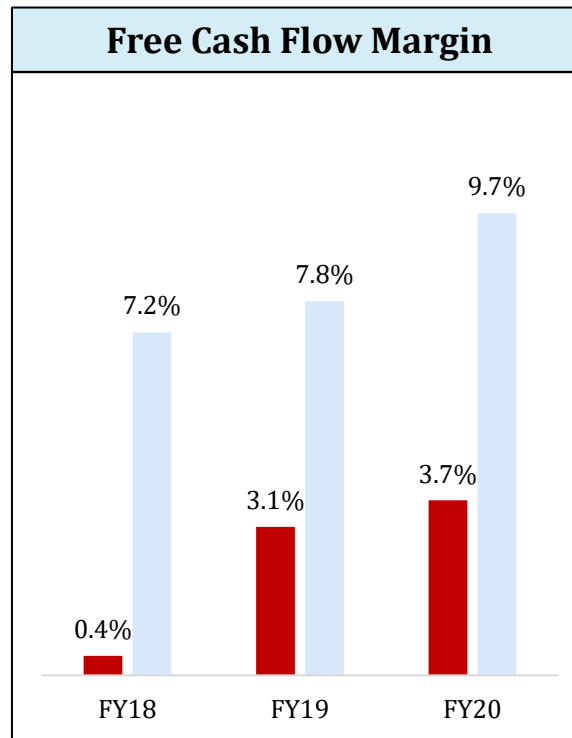
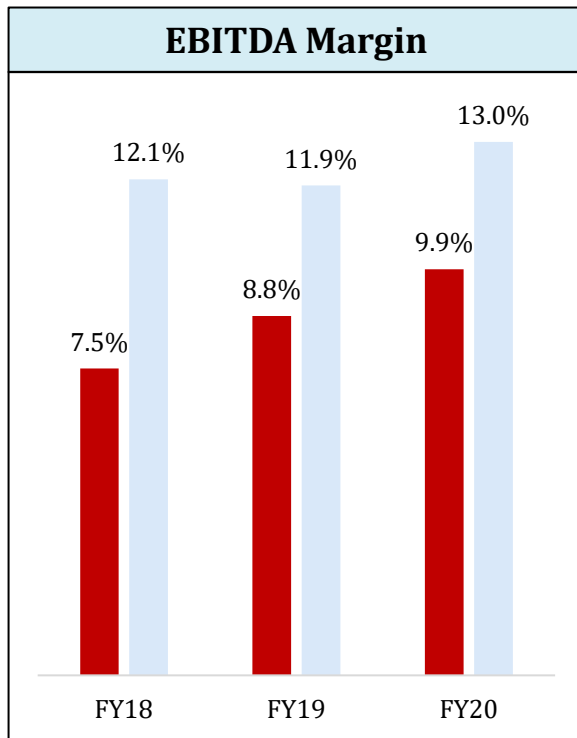
Griffon claims revenue grew at an 11% CAGR the last three years, but ignores revenue declines at DE

- Only in the last week of FY 2021 did Griffon announced it had begun trying to sell that segment
- Shareholders also experienced lower per share revenue growth due to a large increase in shares outstanding



## MARGINS AND RETURN ON CAPITAL TRAIL PEERS

Over the last three years, Griffon has **consistently trailed its peers** in several key metrics:

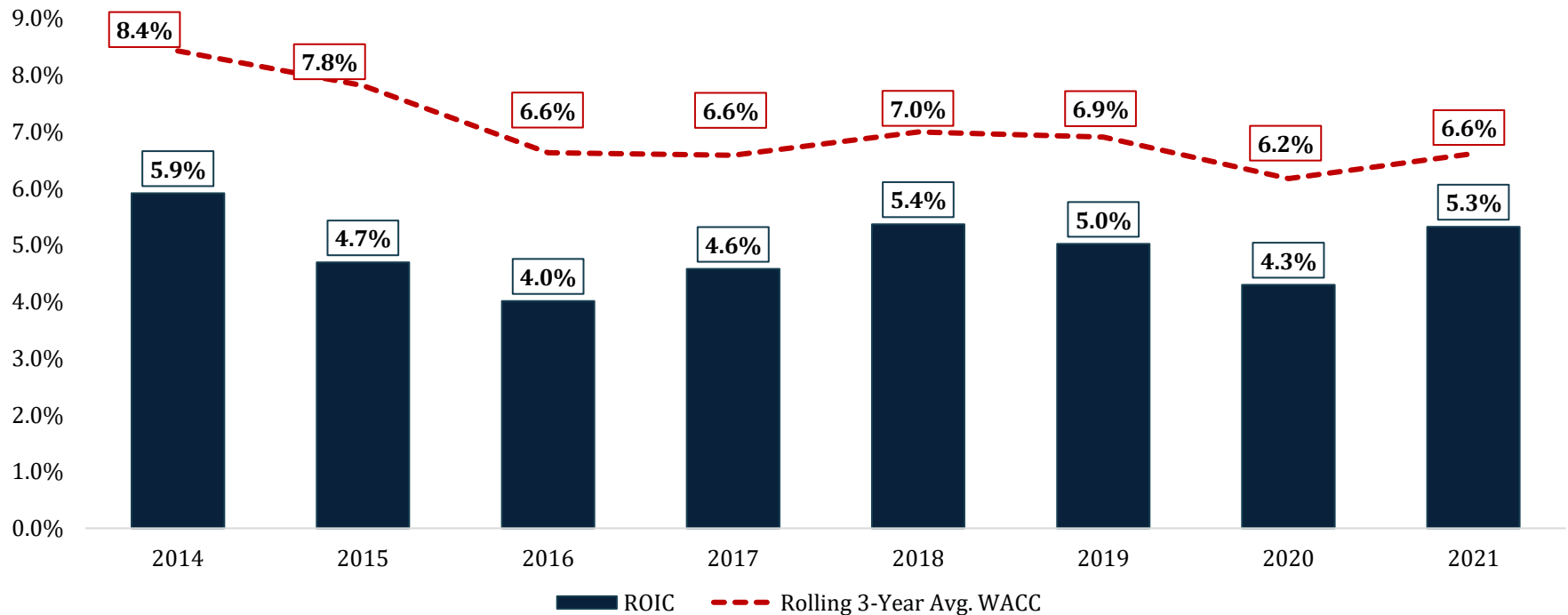


■ Griffon    ■ Proxy Peer Group Median

## CONSISTENTLY LOW ROIC

Griffon's **ROIC has been below 6%** in each of the past eight years and has **trailed** its rolling three-year average Weighted Average Cost of Capital ("WACC") every year

### GFF ROIC has been Consistently Below its WACC

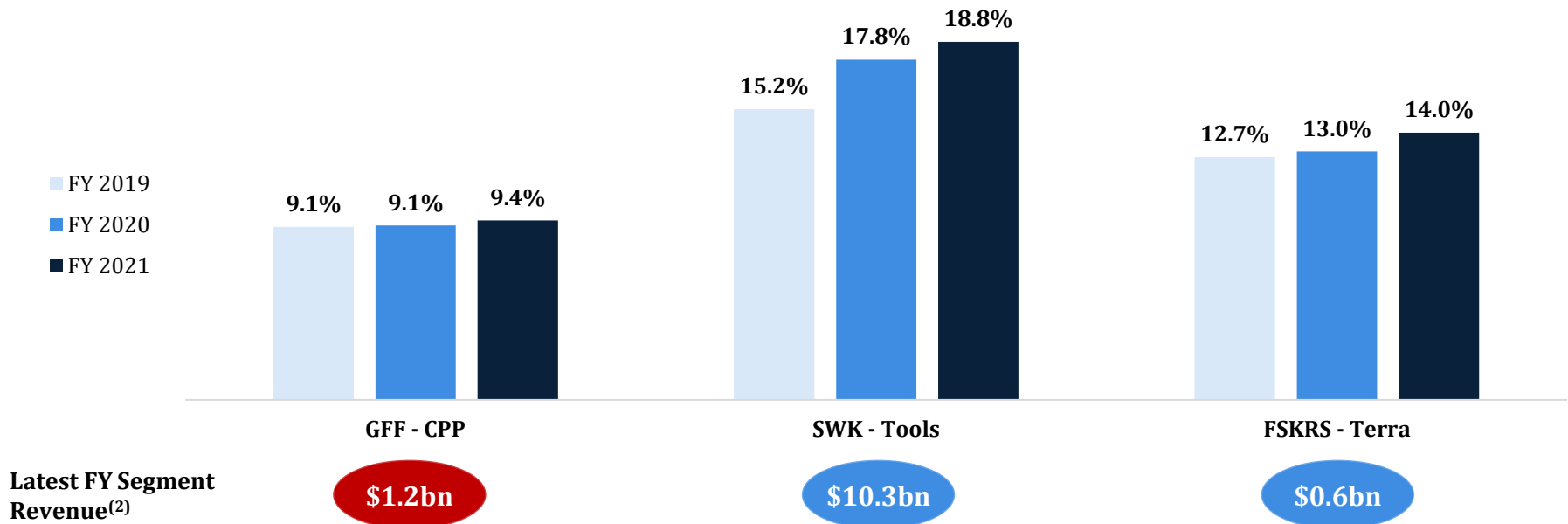


## LOW ROIC PARTLY DUE TO LOW MARGINS ...

Griffon's largest segment, CPP, has delivered **weak EBITDA margins**

- These have been well below those at similar segments at Stanley Black & Decker and Fiskars (Finland)
- Recently, competitors have **widened the margin gap**

### FY2019 – FY2021<sup>(1)</sup> Segment EBITDA Margin



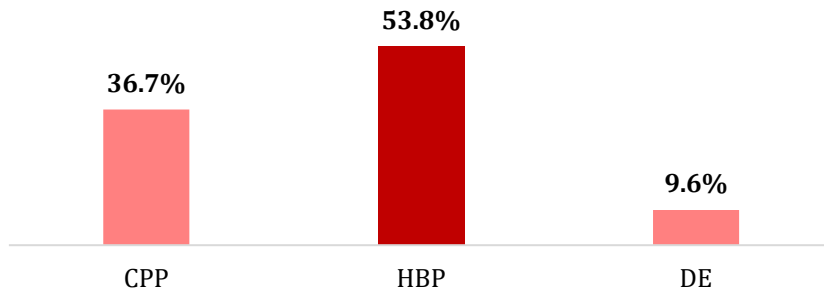


## ...AND ALSO DUE TO INADEQUATE CAPITAL ALLOCATION

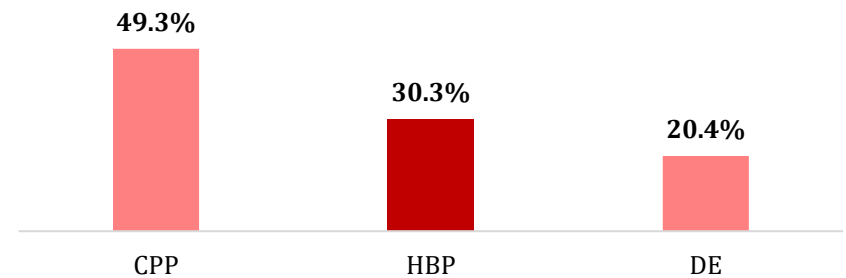
Over the last three years, HBP generated more than half of Griffon's EBITDA, had the fastest growth and the highest return on assets

- Yet Griffon allocated only 30% of CapEx to HBP, while allocating 20% to the shrinking, low-return DE segment

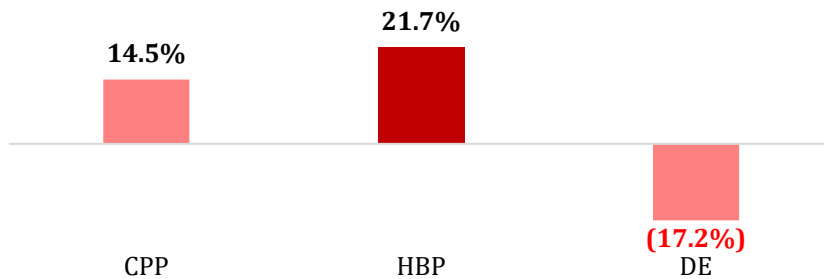
**Portion of Total EBITDA<sup>(1)</sup>**



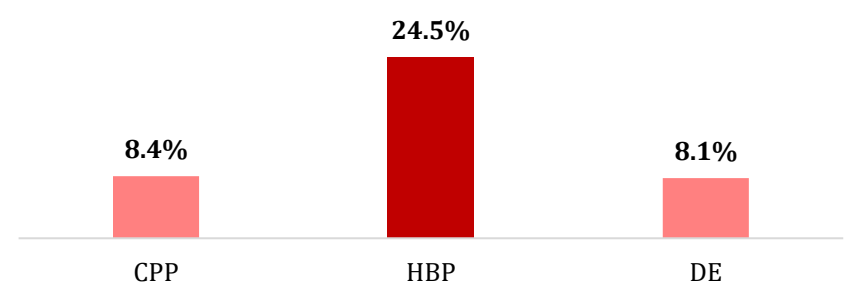
**Portion of Total CapEx<sup>(1)</sup>**



**Three-Year EBITDA CAGR**



**EBITDA/Assets<sup>(2)</sup>**



*Weakness of the conglomerate structure*

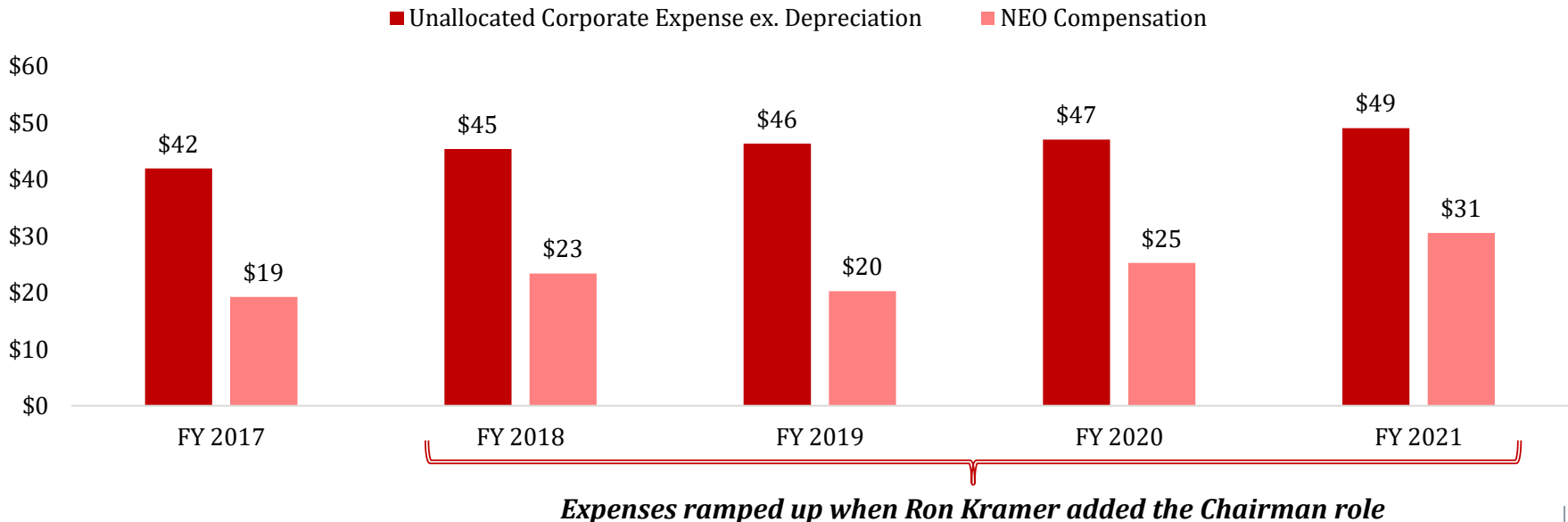
## EXECUTIVE COMPENSATION IS ~60% OF UNALLOCATED CORPORATE EXPENSE

Griffon's inefficient and unnecessary conglomerate structure costs shareholders nearly **\$50 million per year** and provides no discernable value

- Executive compensation for **four NEOs** was \$30.5 million in FY2021 (**over 60% of corporate expense**)
- NEO compensation equaled 27.4% of pretax income (\$111.2 million)
- Griffon would need to cut NEO compensation by ~60% to bring NEO compensation in-line with peer median

Applying the proxy peer group median NEO compensation<sup>(1)</sup> of ~\$12 million would have **increased pretax income by 16.6%**

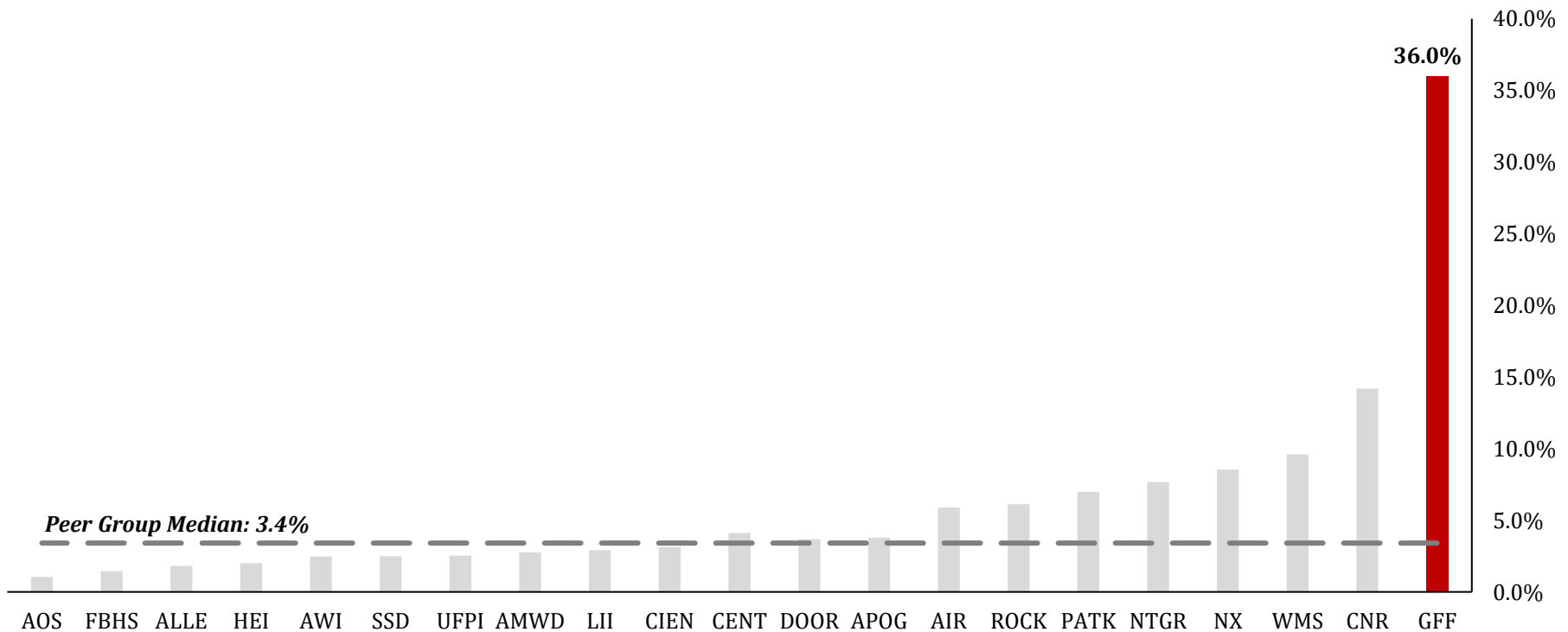
### Unallocated Corporate Expense (ex. Depreciation) vs. NEO Compensation (\$mm)



## EXECUTIVE COMPENSATION DIRECTLY CONTRIBUTES TO POOR RETURNS

Griffon CEO Ron Kramer's **compensation as a percentage of net income** is 36%, over **10.5x the peer group median**

### CEO Compensation as % of Net Income (3-Year Average)



## BOTTOM TIER RETURNS, TOP TIER PAY

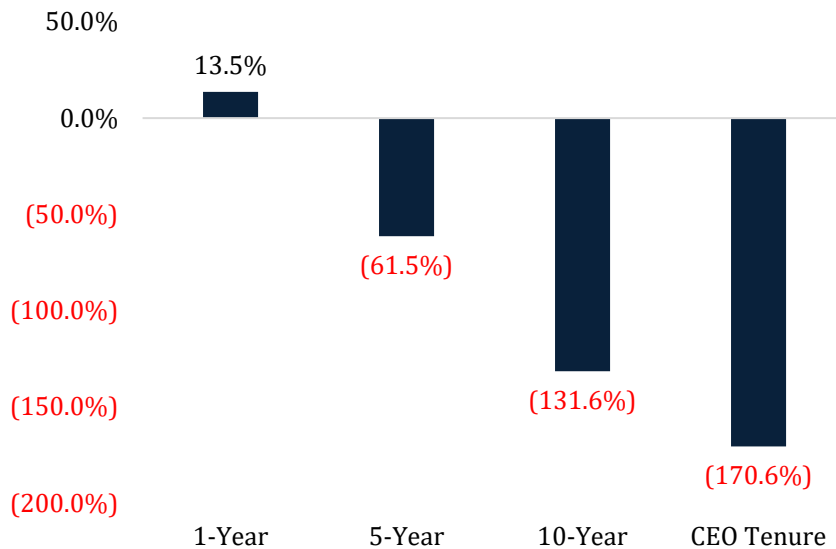
### Bottom quartile TSR vs. peer group over the last 10 years

- Griffon has dramatically underperformed its proxy peer group over periods of 5+ years, despite owning strong consumer brands

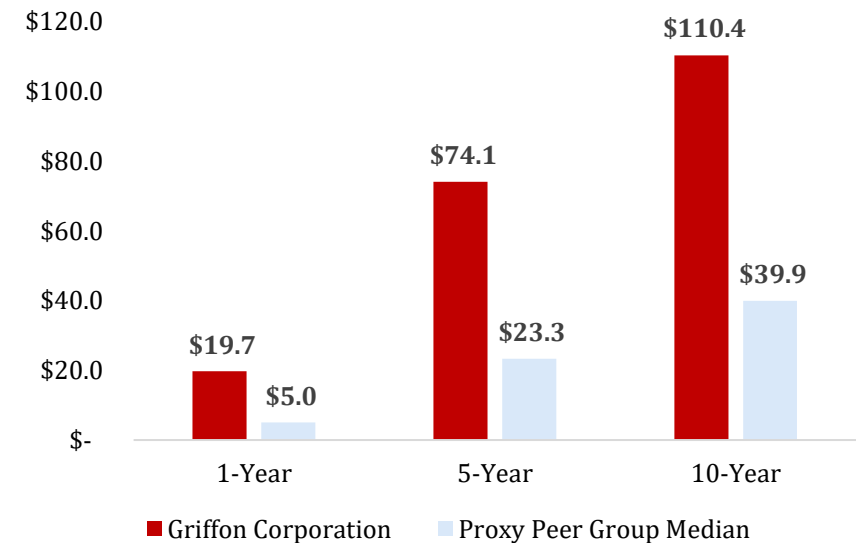
### Top tier CEO pay over recent and longer-term time periods

- Ron Kramer is the **highest-paid** CEO of Griffon's 21-company peer group over the past one, five and ten years
- This has resulted in large NO votes for Say-on-Pay the last two years (**49.0%** in 2021; **36.6%** in 2020)

Griffon Total Return Relative to Proxy Peer Median



Cumulative CEO Compensation (\$mm)



## WHY THE SUDDEN CHANGE IN PROXY PEERS?

Griffon abruptly altered its peer group during this proxy contest, dropping five companies and adding seven companies

- The new peer group was first disclosed in Griffon's preliminary proxy statement on December 21, 2021, well after Voss announced their campaign

### Peers Removed from FY20



Armstrong Flooring™

ciena

HEICO®

Quanex  
building products

### Peers in Both FY20 and FY21



ALLEGION™



Fortune Brands  
Home & Security

LENNOX  
INTERNATIONAL

NETGEAR®

SIMPSON  
Manufacturing  
COMPANY



AMERICAN WOODMARK

Armstrong

CORNERSTONE  
BUILDING BRANDS

GIBRALTAR  
INDUSTRIES

MASONITE

PATRICK

UFP INDUSTRIES

### Peers Added in FY21



poly

Energizer  
Holdings, Inc.

JW JELD-WEN  
WINDOWS & DOORS

Leggett & Platt®

LUMENTUM

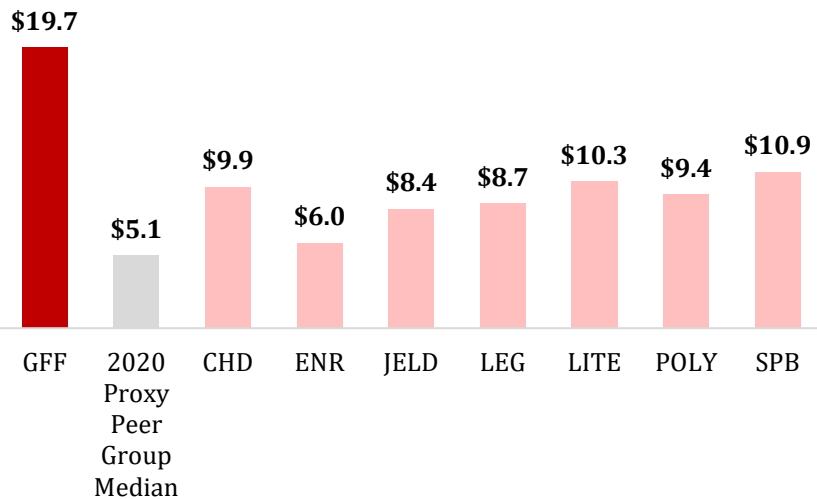
Spectrum  
Brands

## “CHERRY PICKED” NEW PEERS: HIGHER CEO PAY, LOWER TSR

### Significant rise in peer CEO compensation

- All seven newly added peers have higher CEO compensation than the median of the 2020 peer group

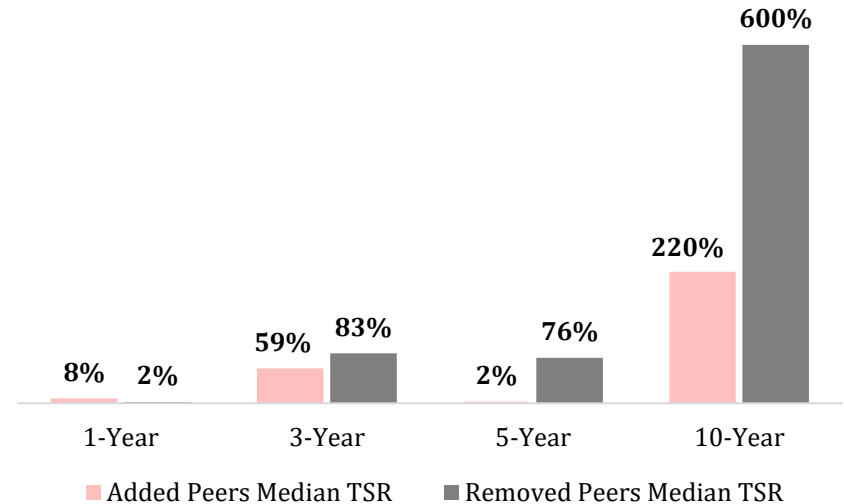
Latest FY CEO Compensation (\$mm)<sup>(1)</sup>



### Worse TSR across most periods for new peers

- The seven newly added peers also have a lower median TSR, over nearly every time period, than the peers which were removed from the group

Diverging TSR Performance Between Groups



*Was the peer group shift an attempt to make CEO compensation appear less outsized and performance look better?*



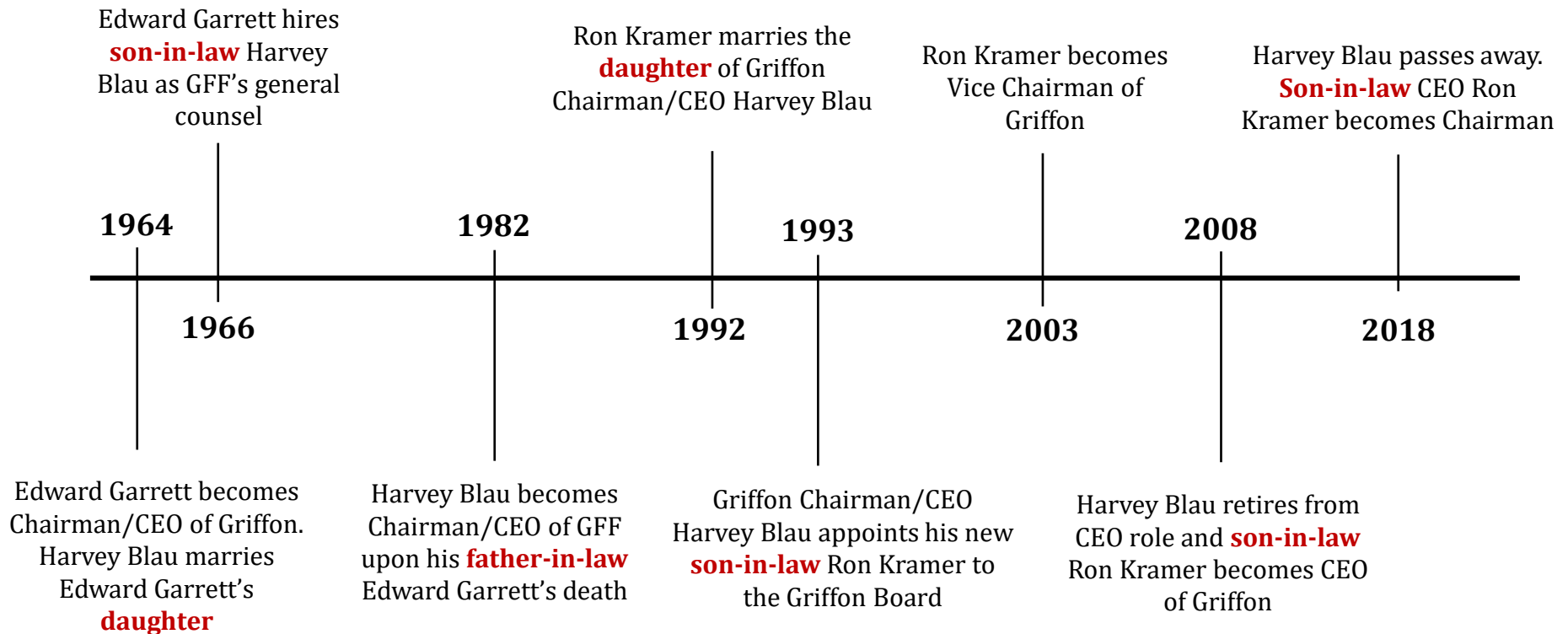
# FLAWED CORPORATE GOVERNANCE

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## DESPITE TRADING PUBLICLY, GRIFFON LOOKS LIKE A POORLY RUN FAMILY BUSINESS

### 57 Years of Marrying Into Griffon's Boardroom and C-Suite

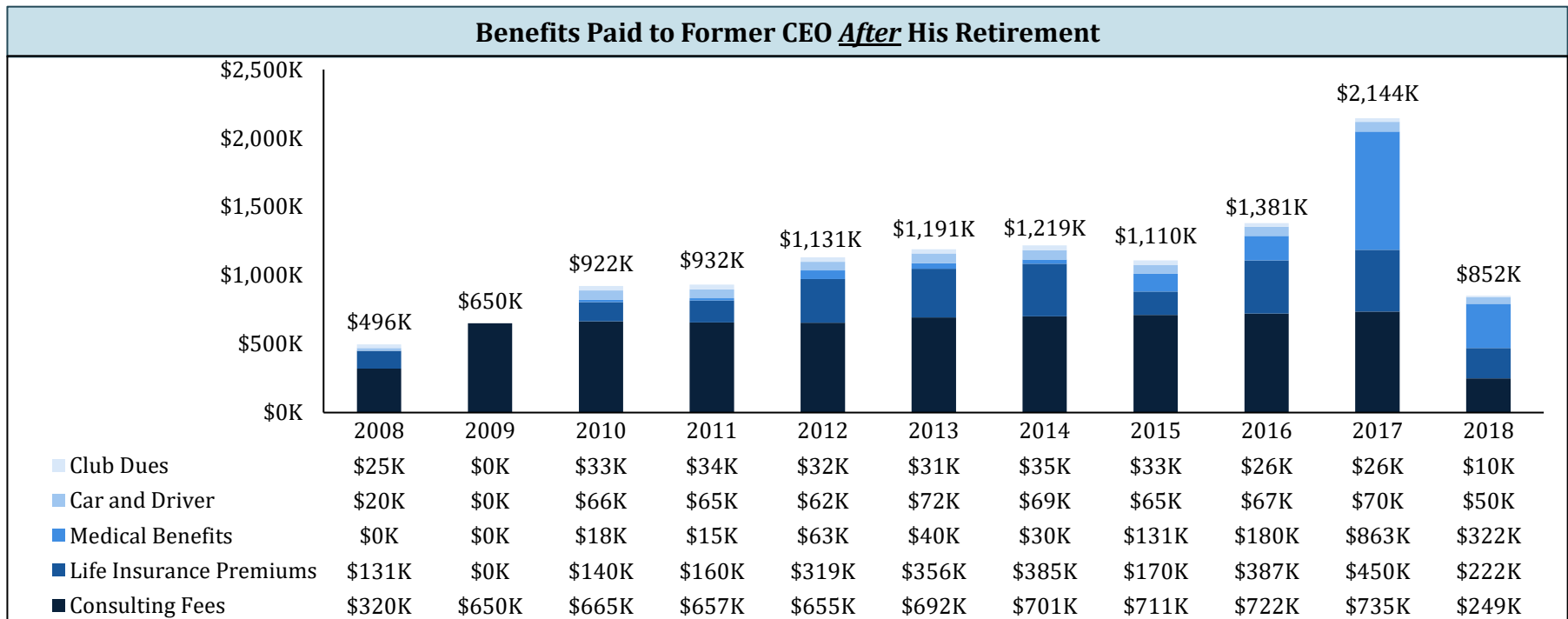




## ENRICHING THE FAMILY AT SHAREHOLDERS' EXPENSE

The Board paid its retired CEO enormous amounts after his retirement

- Griffon's former CEO (the current Chairman and CEO's father-in-law) was paid **\$12.0 million in extra benefits after retiring as CEO**, at the expense of Griffon shareholders
  - Payments included "consulting fees," life insurance premiums, medical benefits, country club dues and a personal car and driver allowance



## GRIFFON'S CORPORATE GOVERNANCE IS OUTDATED

Griffon's corporate governance practices fail to meet even the most basic of acceptable modern corporate governance best practices

### History of Shareholder Unfriendly Practices

- **Non-Independent Chairman**: Ronald Kramer (the current CEO) also serves as the Chairman of the Board
- **Plurality Vote Standard**: Only a plurality of votes is required to elect directors in an uncontested election
- **Lack of Engagement**: The Nominating & Governance Committee met only once during FY 2021
- **Excessive Director Tenure**: Two independent directors have served on the board for 18+ years
- **Limited Relevant Experience**: Many directors have experience in military or casinos, which are unrelated to core segments
  - Even recently added directors lack industry experience, having worked as attorneys and in real estate
- **Recent Improvements Clearly Defensive**: Board de-classification (over three years) and reduction in special meeting threshold occurred only after Voss advocated for those and delivered our nomination notice
  - ***These changes would not have happened without Voss's involvement***

## BOARD STILL NEEDS TRUE REFRESHMENT

Griffon's poor corporate governance and board structures have led to questionable board composition and independence

- Despite claims of having “refreshed six directors over last five years,” one recent addition is the COO, and three others were recommended directly by the CEO



### Proxy Statement (2020)

*“Mr. Coben, who joined our Board in July 2020, was **recommended for consideration** by our Nominating and Corporate Governance Committee **by Mr. Kramer**, our Chairman and Chief Executive Officer.”*

### Proxy Statement (2019)

*“Mr. Sicht, who joined our Board in August 2019, was **recommended for consideration** by our Nominating and Corporate Governance Committee **by Mr. Kramer**, our Chairman and Chief Executive Officer.”*

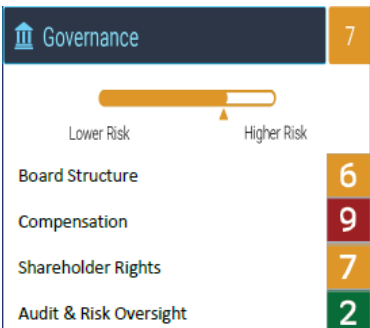
### Proxy Statement (2018)

*“Ms. Stewart, who joined our Board in September 2018, was **recommended for consideration** by our Nominating and Corporate Governance Committee **by Mr. Kramer**, our Chairman and Chief Executive Officer.”*

## GRIFFON HAS FREQUENTLY IGNORED SHAREHOLDERS

Despite **consistently poor feedback from both shareholders and proxy advisors**, Griffon has made minimal changes to its Executive Compensation program

### ISS (2021 Report)

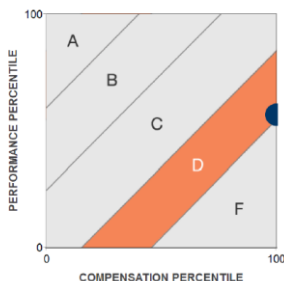


*“As with the previous year, the proxy indicates shareholder feedback was generally positive, which is inconsistent with the support levels for the previous two say-on-pay votes”*

*“In light of the committee's insufficient responsiveness and the unmitigated pay-for-performance misalignment, support for the say-on-pay proposal is not warranted”*

### Glass Lewis (2021 Report)

FY 2020 PAY-FOR-PERFORMANCE GRADE



*“Given the substantial level of opposition to the Company's pay practices, we believe the members of the compensation committee should have taken more initiative to improve the Company's pay practices and programs”*

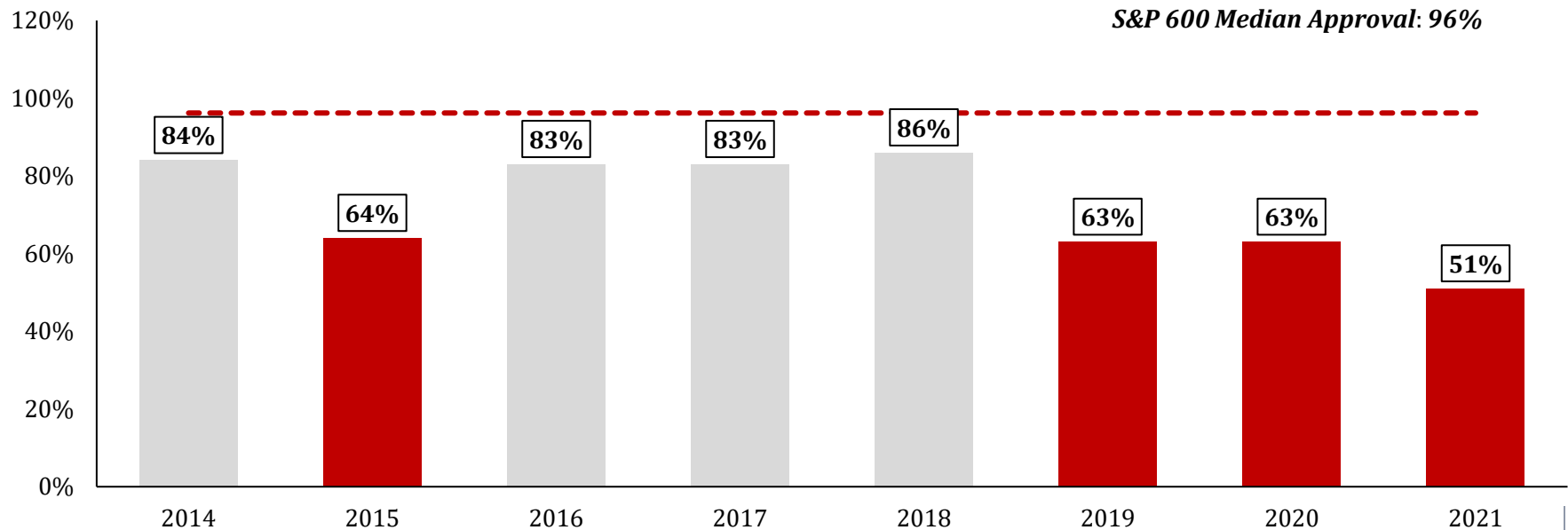
*“Furthermore, we note that the company received a pay-for-performance grade of "D" in our 2020 Proxy Paper, and grades of "F" in our 2019 and 2018 Proxy Papers. In our view, shareholders should be concerned with the continuing sustained nature of this misalignment”*

## SAY-ON-PAY RESULTS

Shareholders have frequently expressed strong disapproval of Griffon's executive compensation

- Griffon has never come close to reaching the median approval rate for S&P 600 companies of 96%
- In four of the last eight years, **approval rates have been between 51% and 64%**
- 51% approval puts Griffon in the **bottom 4% of publicly listed companies in the US**
- Independent shareholder approval is far lower than total results, given the ~17% stake of insiders and the ESOP

Griffon Say-on-Pay Approval Results 2014 - 2021



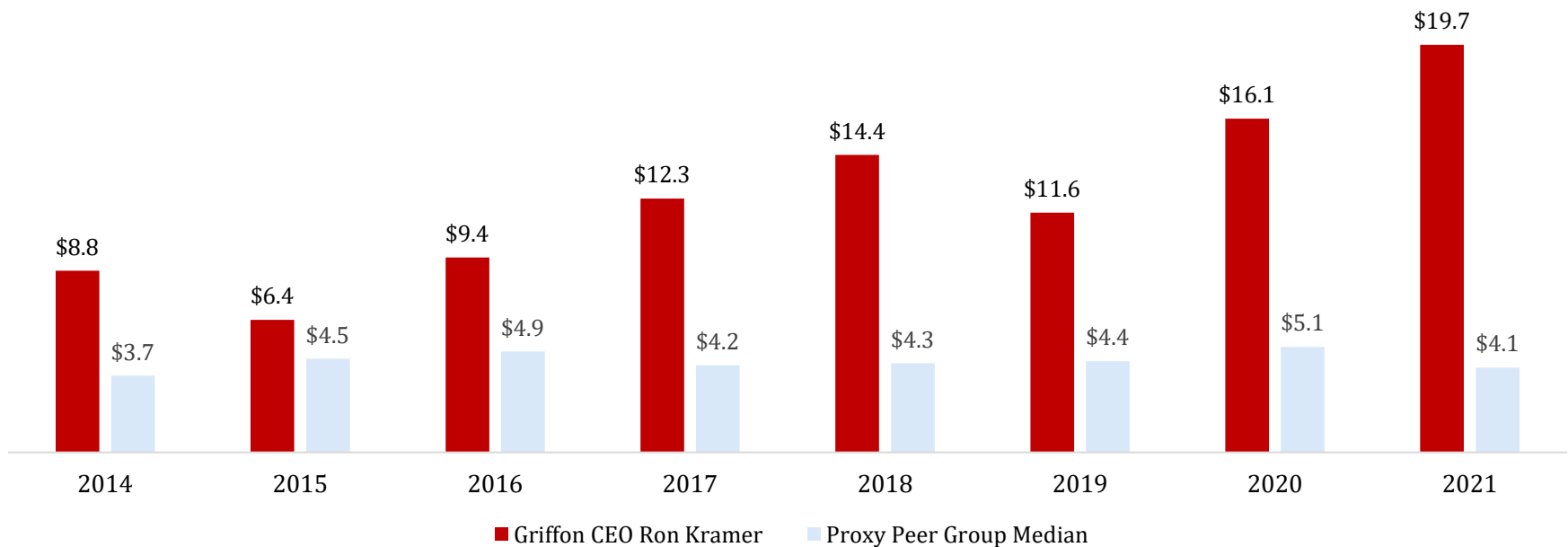
## GRIFFON AGAIN IGNORES SHAREHOLDERS

Despite weak Say-on-Pay results, Griffon's **CEO compensation has more than doubled since 2014**

For many years, **Griffon's CEO pay has been well above the median CEO pay** among its peer group

- That **gap has widened** considerably in recent years

**Griffon CEO Compensation versus Peer Group Median (2014 - 2021)**

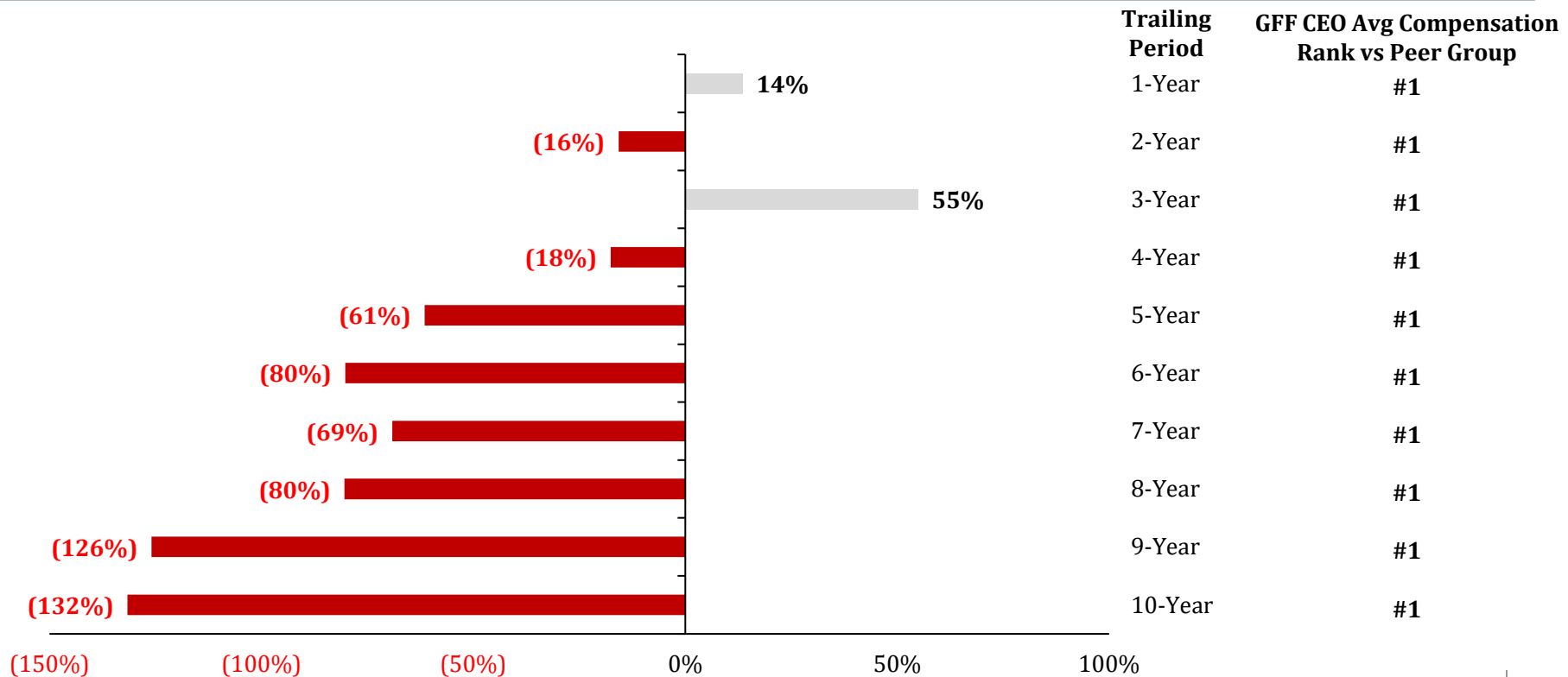


## GRIFFON CEO WINS, NO MATTER THE SHAREHOLDER RETURNS HE PRODUCES

Griffon's total shareholder return has **substantially underperformed its proxy peer group median return** in eight of the last 10 years

- Over the same time frame, **Ron Kramer has ranked #1 in average pay over every trailing period**

Griffon Total Return Relative to Peer Group Median



## NEOS COLLECT OUTSIZED BONUSES FOR EASY TO ACHIEVE TARGETS

Through easily attainable targets, executives consistently collect have outsized bonuses

- Some bonus targets have **little or no connection to operating performance**

No metrics are tied to anything related to return on capital

### ClosetMaid Bonus for Zero Growth

**\$2.7 million in cash**

- Based on achieving \$50 million EBITDA over two years at division generating \$25 million/year when acquired

### Minimal EBITDA Growth for CFO and GC Stock Grants

**Recurring ~\$1.4 million in stock**

- Based on minimal growth in **any** of the next three years
- After FY 2019 EBITDA of \$200 million, target for 2020 through 2022 was set at \$205 million

### COVID Bonuses

**\$7 million payout**

- Top executives received stock grants called “special awards” during 2020
- The CEO, COO, CFO, and General Counsel combined received 264,194 shares

### Temporary Stock Price Appreciation Bonus

**Recurring ~\$12.5 million in stock**

- Bonuses based on stock being temporarily up 20% for thirty days at **any** point during a four-year period
- Board says, “Requiring an increase in stock price of this magnitude is challenging.”
- Our Monte Carlo simulations predict >75% random chance of achieving this given natural stock volatility



## BONUS TARGET – WORKING CAPITAL

GFF's FY 2020 compensation program included working capital as one bonus metric

- During FY 2020, NEOs were able to **earn nearly \$1.3mm from this bonus**

| NEO Bonuses if Working Capital Levels are Achieved |                                  |                |                |                  |                |                 |
|--|----------------------------------|----------------|----------------|------------------|----------------|-----------------|
|  | 2020 Working Capital Level (\$M) | CEO Ron Kramer | COO Bob Mehmel | CFO Brian Harris | GC Seth Kaplan | Total           |
| Threshold  | \$525                            | \$350K         | \$88K          | \$35K            | \$35K          | \$508K          |
| Target   | \$545                            | \$500K         | \$125K         | \$50K            | \$50K          | \$725K          |
| Maximum  | \$565                            | <b>\$867K</b>  | <b>\$217K</b>  | <b>\$87K</b>     | <b>\$87K</b>   | <b>\$1,257K</b> |

### Working Capital Driven Above Bonus Threshold by Timely Equity Raise

Management would have not achieved the bonus threshold without a \$178 million equity raise just seven weeks before FY 2020 ended; the equity was raised mainly “for general corporate purposes” and has remained on GFF’s balance sheet

|  | Working Capital Level | Hit Bonus Threshold? |
|--|-----------------------|----------------------|
| <b>Working Capital on 9/30/2020 - Pre-Equity Raise</b>           | <b>\$420</b>          | <b>X</b>             |
| <i>Working Capital Level Threshold for Bonus</i>                 | <i>\$525</i>          |                      |
| Proceeds from Equity Raise on 8/14/2020                          | \$178                 |                      |
| <b>Working Capital Reported on 9/30/2020 - Post Equity Raise</b> | <b>\$598</b>          | <b>✓</b>             |

***Why is the Board incentivizing holding cash? Were shareholders diluted so management could hit bonus targets?***

## RECENT M&A EXEMPLIFIES EMPIRE BUILDING

In December 2021, Griffon announced its **\$845mm acquisition** of Hunter Fan Company from MidOcean Partners

- The merger is set to close in January, less than six weeks after it was announced
- The transaction appears to be structured specifically to **prevent Griffon shareholders from voting on it** despite it being a **related party transaction involving Griffon's Lead Independent Director** with a **lofty valuation**

We believe the **acquisition is highly concerning** for the below reasons

### Unattractive Valuation

- The purchase price of 9.4x FY 2023 EBITDA was far higher than Griffon's valuation, at announcement, and high for a low growth business

### Execution Risk

- The \$845mm purchase price is more than 55% of Griffon's market cap and more than 35% of its enterprise value, at announcement

### Conflict of Interest

- Griffon's Lead "Independent" Director Kevin Sullivan is a Managing Director at MidOcean Partners

We have not included Hunter Fan in our plan to unlock value at Griffon

- Investors do not yet have enough information to evaluate this merger

We cannot yet ascertain whether Hunter Fan is worth its purchase price, but based on interviews with industry executives the answer is a resounding **NO**

## HUNTER FAN: MANY UNANSWERED QUESTIONS

Griffon management has noted that Hunter Fan's >20% EBITDA margin "clearly improves Griffon's EBITDA and gross margins"

- The **>20% margin** is accounted for in the purchase price and **could be construed as trying to mask CPP segment margin degradation**

### Questions yet to be Answered: Management has Left Shareholders in the Dark

- 1 How much can Griffon improve Hunter Fan's margins?
  - In the conference call announcing the acquisition, management was evasive about where synergies might exist and made no attempt to quantify them
    - *"We expect first to – once we own the business to really understand the business..." (Brian Harris, Griffon's CFO)*
- 2 At least one Wall Street analyst agrees with our financial analysis:
  - Raymond James expects synergies to be "mild" and forecasts a measly ~7% cash ROIC in year one
- 3 Will Hunter Fan's high margins be used to hide continued disappointing results for CPP's EBITDA margins?
  - Management has completely failed in its efforts to improve margins there; is this an attempt to distract from that?
- 4 This acquisition makes Griffon larger and more complex; will the deferential Board use that to justify larger CEO pay?

*Is the Hunter Fan deal an attempt to obscure CPP's continued margin problems?*

## BEHIND THE TIMES: WHILE GRIFFON REMAINS ACQUISITIVE, SUPERIOR BOARDS ARE SPLITTING COMPANIES UP

### GE Will Split Into Three Units, Ending Conglomerate for Good

By [Ryan Beene](#) +Sign Up

November 9, 2021, 5:47 AM CST Updated on November 9, 2021, 10:09 AM CST

*United Technologies to Split Into 3 Companies, Each With a Sharper Focus*

HEALTH AND SCIENCE

**J&J plans to split into two companies, separating consumer products and pharmaceutical businesses**

PUBLISHED FRI, NOV 12 2021-6:30 AM EST | UPDATED FRI, NOV 12 2021-8:38 PM EST

**GE Breakup Spurs Questions About Conglomerate Model's Future**

BUSINESS | ASIA

**Toshiba, Like GE, Plans to Split Into Three Units**

The move, following shareholder pressure for a more-focused structure, adds up to a de facto dismantling of a conglomerate whose roots date to 1875

INDUSTRIALS

**DowDuPont Is About to Break Up. Here's What the Parts Are Worth.**

By [Al Root](#) March 6, 2019 1:25 pm ET

**For the stock market's biggest companies, there may never be a better time to break up**

PUBLISHED TUE, NOV 16 2021-11:08 AM EST | UPDATED WED, NOV 17 2021-5:05 PM EST

- ▶ Berkshire, Loews, 3M have all underperformed the market
- ▶ Even Buffett has said model earned its 'terrible reputation'

## CONGLOMERATE STRUCTURE HAS NOT PREVENTED SHARE PRICE VOLATILITY

Theoretically, the conglomerate structure should smooth out dips in operating results and reduce share price instability

- In reality, Griffon shareholders have not experienced these diversification benefits
  1. *From December 31, 2016, to August 31, 2017: GFF shares fell 28.6%*, while the S&P Small Cap 600 rose 1.1%
  2. *From May 31, 2018, to December 31, 2018: GFF shares fell 53.5%*, while the S&P Small Cap 600 fell just 15.4%
  3. *From December 31, 2019, to March 31, 2020: GFF shares fell 37.6%*, while the S&P Small Cap 600 fell 32.6%

### Significant Volatility in Shareholder Return Over Last Five Years<sup>(1)</sup>



# UNLOCKING VALUE FOR SHAREHOLDERS

## UNLOCKING VALUE

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Voss Capital's plan to unlock shareholder value at Griffon includes the following steps:

- SALE OF DEFENSE ELECTRONICS
- EXPLORE ALTERNATIVES FOR HBP
- USE CASH TO REDUCE DEBT AND PAY SPECIAL DIVIDEND
- RIGHT-SIZE CORPORATE OVERHEAD
- IMPROVE MARGINS AT CPP

## GRIFFON: FISCAL YEAR 2022 ASSUMPTIONS

In our analysis, Voss Capital made the following assumptions for Griffon's FY 2022

### Company-Wide Assumptions

Company wide results in line with management's guidance (*all figures exclude DE*)

- Total Revenue of \$2.5bn
- Segment (CPP + HBP) EBITDA of \$300mm
- Corporate Expense of \$49mm

### Segment Assumptions

#### CPP

1. **Revenue of \$1.23bn (flat vs. FY 2021)**
  - Supply chain issues causing big box retailers to diversify supplier bases, may be losing some shelf space and bleeding market share
2. **EBITDA of \$94mm versus \$116mm in FY 2021**
3. **EBITDA margins of 7.6% versus 9.4% in FY 2021**
  - Cost pressure with labor, transport and supply chain disruptions expected to continue in 1H 2022

#### HBP

1. **Revenue of \$1.27bn (22% growth from FY 2021)**
  - Supply chain issues dampening volume growth
  - Commercial end market growth accelerating
  - High teens price increases
2. **EBITDA of \$205 mm versus \$181mm in FY 2021**
3. **EBITDA margins of 16.1%, versus 17.4% in FY 2021**
  - Facing cost pressures, but passing through large price increases

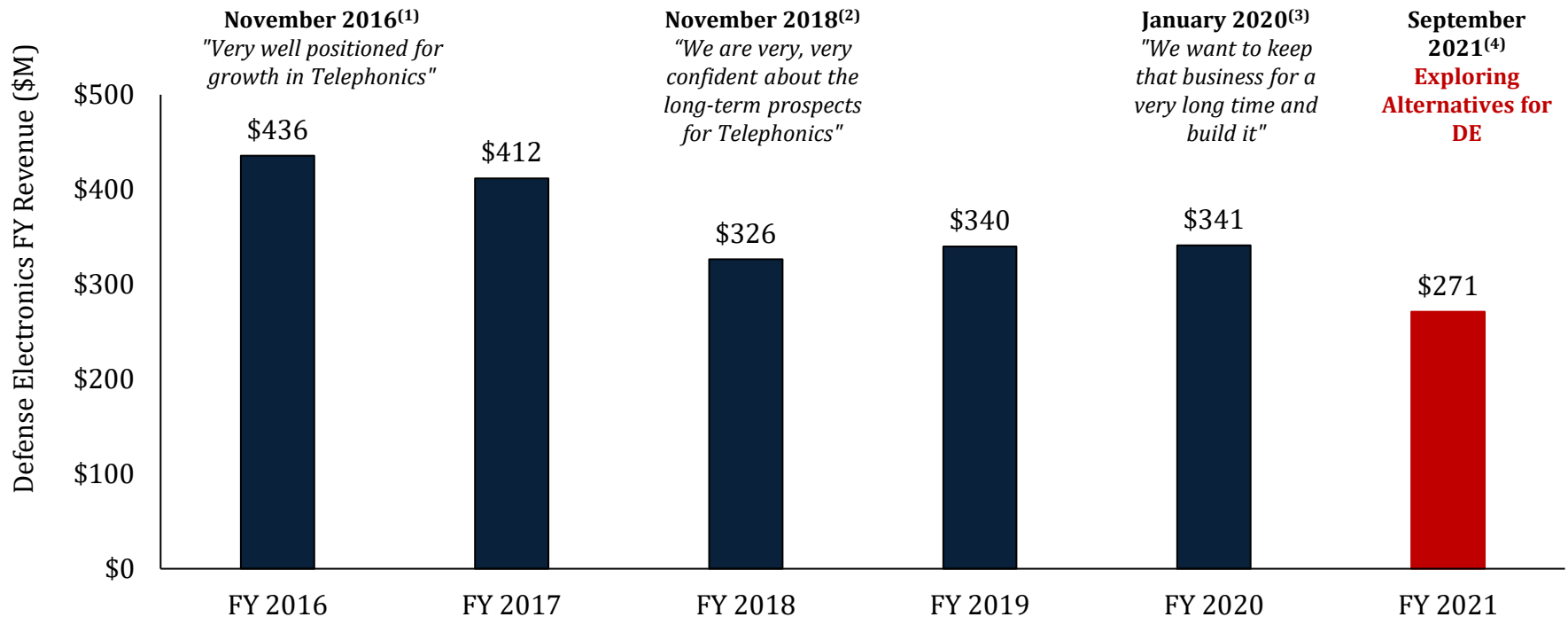


## DE: BUSINESS BEING SOLD AFTER PROLONGED VALUE DESTRUCTION

In September, the Company announced it was reviewing strategic alternatives for this **small and unrelated segment**

- The Company repeatedly expressed optimism about this segment over the past five years, while **revenue fell 38%**
  - Can the current Board be trusted to divest assets at the optimal time to maximize shareholder value?

### Optimistic Statements Amidst Declining Annual Revenue (\$mm)



## DE: ATTRACTIVE M&A ENVIRONMENT

M&A has been recently strong within the Aerospace and Defense sector, particularly within the Defense Electronics industry

- Raymond James called GFF's DE segment "*possibly the one most richly valued by strategic peers*" and "*peg[ged] ultimate after-tax proceeds of a [DE] sale at ~\$325M or so (i.e., a ~\$400M transaction, or mid teens multiple per management's prior assertions).*"<sup>(1)</sup>

**We are hopeful the company can complete a sale before it further destroys value**

### DE Comparable Transactions

| Target          | Acquirer        | Date   | EV       | EV/EBITDA | Description  |
|-----------------|-----------------|--------|----------|-----------|--|
| Abaco Systems   | AMETEK          | Mar-21 | \$1,350  | -         | Advanced visualization systems for aerospace and defense applications                  |
| Cubic Corp.     | Veritas Capital | Feb-21 | \$3,477  | 14.7x     | Communications, intelligence, surveillance and reconnaissance for defense              |
| Coherent        | II-VI Inc.      | Feb-21 | \$7,009  | 59.7x     | Laser sources for microelectronics and display manufacturing for life sciences/defense |
| FLIR            | Teledyne Tech.  | Jan-21 | \$7,987  | 17.1x     | Thermal imaging cameras and sensors for military/government agencies                   |
| L3 Technologies | Harris Tech.    | Oct-18 | \$18,985 | 13.6x     | Surveillance and reconnaissance systems for military/government agencies               |

Median 15.9x

**At 15.9x FY 2021 EBITDA, Griffon's DE business would be worth \$382 million**

## HBP: VALUE SUPPRESSED BY CONGLOMERATE STRUCTURE

Given the continued strength of the HBP segment, as well as the high-levels of interest in the industry, we believe now is an opportune time to explore selling the business

- We believe the HBP segment can achieve **EBITDA of \$205mm** in FY2022
- *“Now is the time for building products and materials companies to take advantage of **surging interest in the space...** This is an ideal environment for sellers... there is **unlikely to be a better time to exit than right now.**”*

- Michael Williams & Tim Webb, Managing Directors at Harris Williams (*Building Products Focused Investment Bank*), July 2021

### HBP Comparable Transactions

| Target                   | Acquirer    | Date   | EV      | EV/EBITDA | Description   |
|--------------------------|-------------|--------|---------|-----------|---|
| Boral                    | Westlake    | Oct-21 | \$2,150 | 11.0x     | Residential roofing, siding, shutters, decorative stone, and windows  |
| Chamberlain              | Blackstone  | Sep-21 | \$5,000 | 15.0x     | Residential and commercial door openers                               |
| Spectrum Home & Hardware | Assa Abloy  | Sep-21 | \$4,300 | 14.0x     | Residential door locks (67%), faucets (21%), builder's hardware (12%) |
| DBCI                     | Janus (JBI) | Aug-21 | \$168   | 12.0x     | Commercial rolling steel doors  |
| CHI Overhead Doors       | KKR         | Jul-15 | \$1,225 | 12.0x     | Residential and commercial garage doors                               |

Median 12.0x

**At 12.0x EBITDA, this segment would be worth \$2.5 billion, over 100% of Griffon's current enterprise value**

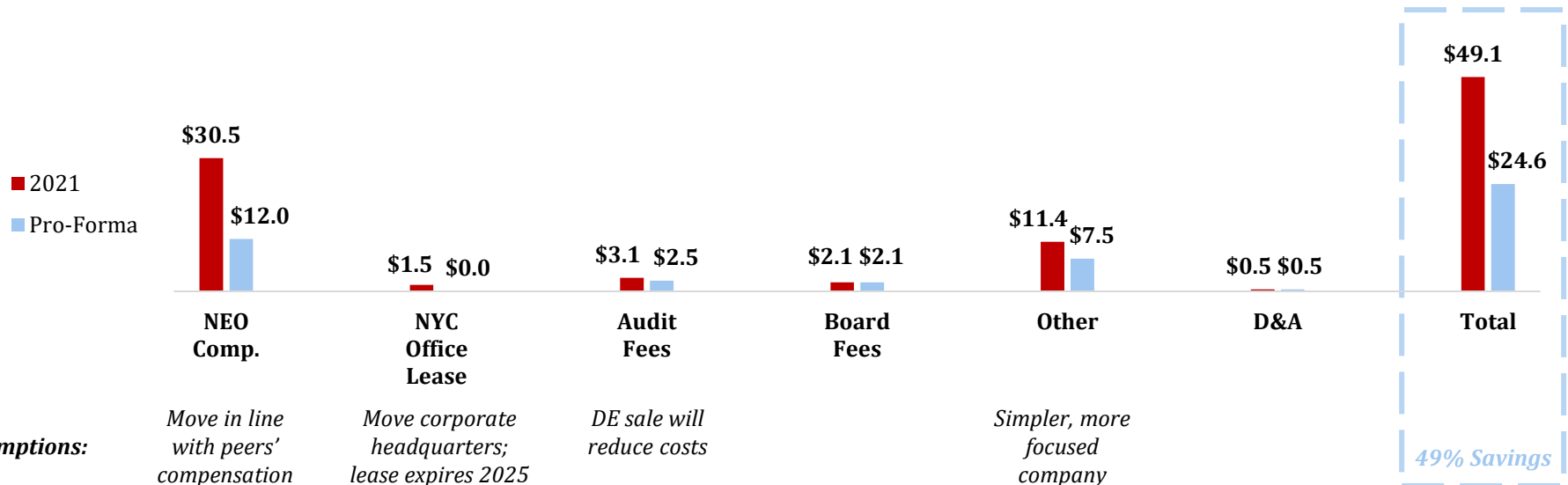
## BLOATED CORPORATE OVERHEAD

Griffon shareholders derive little value from the nearly **\$50 million in annual corporate overhead expenses**

- NEO compensation is the majority of the corporate overhead and significantly exceeds compensation levels at peers
- There is no business reason for the company to have an office on Fifth Avenue in Manhattan

The company owns two manufacturing facilities on Long Island which could house corporate headquarters

**Opportunity to right size corporate expenses as a less complex company with more appropriate executive pay levels**



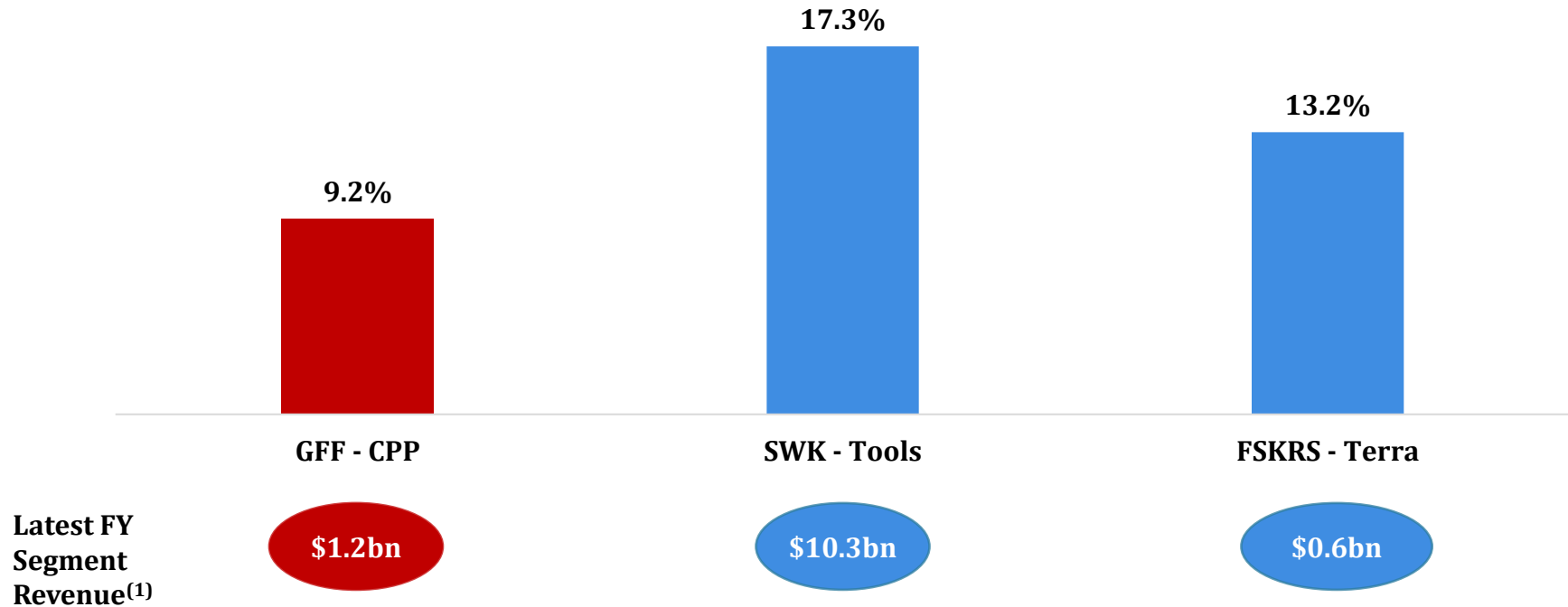
**We believe ~\$25mm is an appropriate level; potential cost reduction of \$24mm is ~22% of FY 2021's pretax income**

## CPP: ROOM FOR MARGIN IMPROVEMENT

CPP's EBITDA margins have been far lower than at similar segments at Stanley, Black & Decker and Fiskars (Finland)

- CPP has twice the revenue of Fiskars' Terra segment, but its margins have been 400 basis points lower

### FY2019 - FY2021<sup>(1)</sup> Average Segment EBITDA Margin



## CPP: FAILURE OF CURRENT MARGIN IMPROVEMENT PLAN

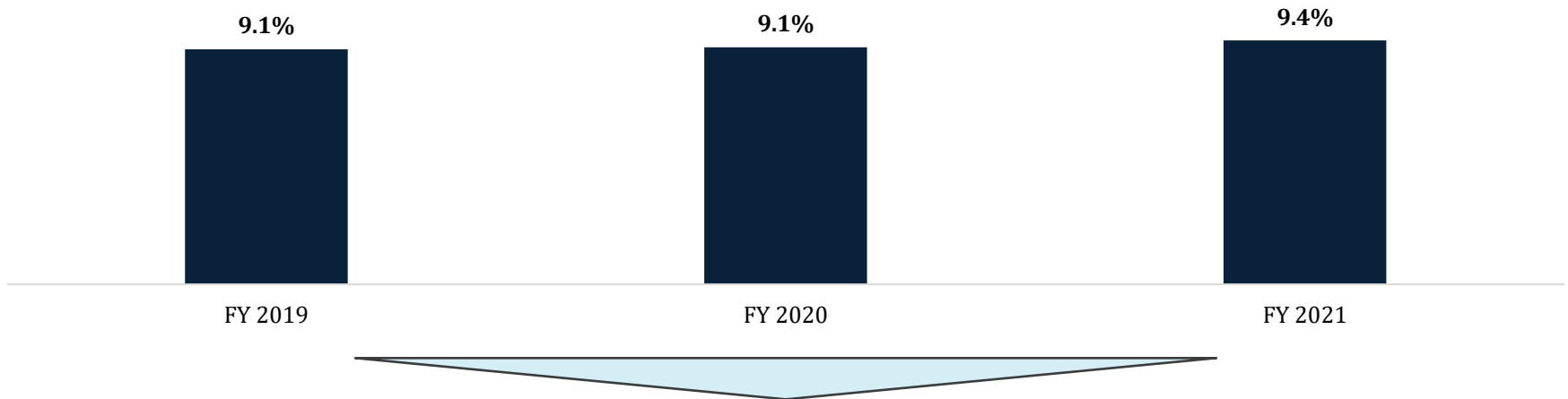
In November 2019, Griffon announced the “AMES Strategic Initiative” in an effort to improve operations in the CPP segment

- Just one year later, **despite limited visible success**, Griffon expanded the initiative
  - The updated completion date is December 2023, with projected cash and non-cash costs of \$130mm and with \$30-35mm in annual cash savings

So far, Griffon has **spent \$40mm** on this project. Yet **CPP EBITDA margins have barely changed**

- CPP's EBITDA **margin in FY 2022 is expected to be lower** than before this project began

FY2019 - FY2021 CPP Segment EBITDA Margin



*Where is the board oversight on this unsuccessful project?*

## CPP: MARGIN IMPROVEMENT CAN DRIVE VALUE

The CPP segment should be able to achieve margins in line with those of Fiskars

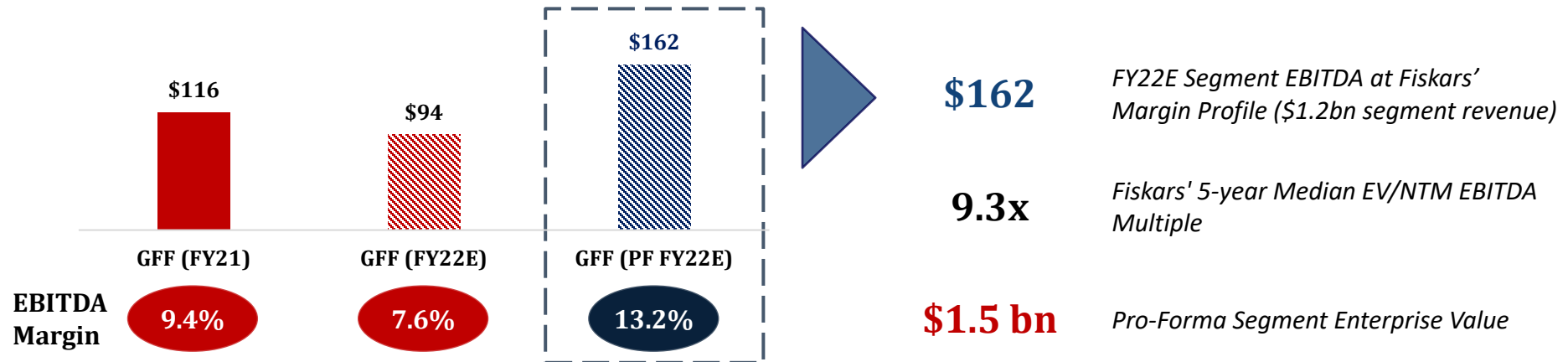
- If Griffin were able to achieve EBITDA margins in line with Fiskars, we believe the **CPP segment could be worth \$1.5bn**

The Company should refocus its margin improvement efforts and publicly commit to specific targets

- The **company's lack of progress here suggests the need for greater board oversight**

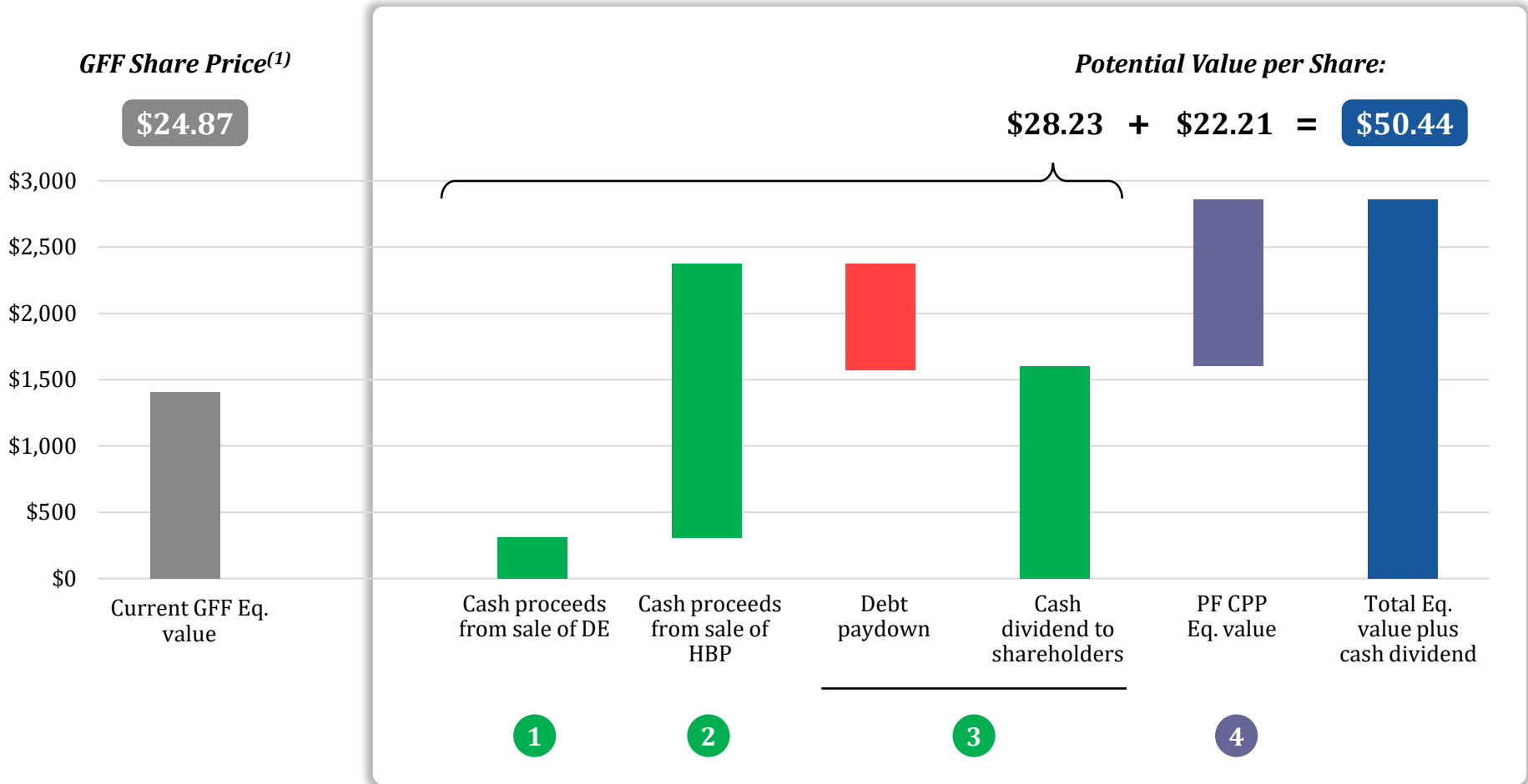
### Significant Opportunity for EBITDA Expansion with Fiskars Margin Profile (FY2019 - FY2021<sup>(1)</sup>)

### Potential for the Improved CPP Segment to Nearly Equal Current Griffon Equity Cap



**At 9.3x EBITDA (equal to Fiskars), this segment would be worth \$1.5 billion, 60% of Griffon's current enterprise value**

# PATH TO VALUE CREATION





## PATH TO VALUE CREATION

### Current Griffon Valuation

|                   |                |                         |                |
|-------------------|----------------|-------------------------|----------------|
| Share Price       | \$24.87        | Debt                    | \$1,046        |
| Shares            | 56.7           | Cash                    | -\$249         |
| <b>Market Cap</b> | <b>\$1,410</b> | <b>Enterprise Value</b> | <b>\$2,207</b> |

### Pro-Forma Griffon Valuation and Return

#### 1 Sell DE

|                              |              |
|------------------------------|--------------|
| <b>Value</b>                 | <b>\$382</b> |
| Estimated Taxes              | (\$72)       |
| <b>Cash Proceeds from DE</b> | <b>\$310</b> |

#### 2 Sell HBP

|                               |                |
|-------------------------------|----------------|
| <b>Value</b>                  | <b>\$2,460</b> |
| Estimated Taxes               | (\$395)        |
| <b>Cash Proceeds from HBP</b> | <b>\$2,065</b> |

#### 3 Pay Down Debt + Dividend

|                                   |                |
|-----------------------------------|----------------|
| Pro Forma Cash <sup>(1)</sup>     | \$2,624        |
| Debt                              | \$1,046        |
| Debt Pay Down                     | (\$800)        |
| Pro Forma Debt                    | \$246          |
| Cash After Debt Pay Down          | \$1,824        |
| Special Dividend                  | \$1,600        |
| Cash After Special Dividend       | \$224          |
| <b>Special Dividend Per Share</b> | <b>\$28.23</b> |

#### 4 Improve CPP Tools

|                               |         |  |                |
|-------------------------------|---------|--|----------------|
| FY 2022 CPP Revenue           | \$1,230 |  |                |
| CPP Segment Margin            | 7.6%    | Target CPP EBITDA Margin                 | 13.2%          |
| FY 2022 Consumer Tools EBITDA | \$94    | Target CPP EBITDA                        | \$162          |
|                               |         | - Right Sized Griffon Corporate Expenses | \$25           |
|                               |         | Target Griffon EBITDA                    | \$138          |
|                               |         | <b>EV/EBITDA Multiple</b>                | <b>9.3x</b>    |
|                               |         | <b>Target Value</b>                      | <b>\$1,281</b> |
|                               |         | Net Debt                                 | \$22           |
|                               |         | Equity Value                             | \$1,259        |
|                               |         | <b>Pro Forma CPP Value Per Share</b>     | <b>\$22.21</b> |

**Total Per Share Value for GFF Shareholders** **\$50.44**

**Return** **103%**

**VOSS'S INDEPENDENT DIRECTOR  
NOMINEE**

## OVERVIEW OF VOSS NOMINEE: CHARLIE DIAO



### **H.C. Charles Diao**

Managing Director of Diao & Co. LLC, a provider of M&A and strategic advisory services to corporate clients  
Extensive experience as a public company director and executive

- Chaired key committees as a director
- Led corporate development function at two public companies
- Key roles in acquisitions, spinoffs and company sales

#### Prior Public Company Director Experience



**Turning Point Brands**: Director since 2012

- Current Committee(s): Audit Committee (*Chairman*); Nomination, Governance & ESG Committee
- Former Committee(s): Compensation Committee



**Media General**: Director from 2013 to 2017  
(Joined via merger with Young Broadcasting)

- Former Committee(s): Nominating and Governance Committee (*Chairman*)
- Board tenure include the Company negotiating a sale to Nexstar Broadcasting

#### Prior Executive Experience



**DXC Technology**: SVP-Finance & Corporate Development and Treasurer, from 2017 to 2021

- Oversaw acquisitions of Luxoft, Molina Medicaid Solutions and Xchanging plc
- Led transaction team that spun off federal government contracting business to form Perspecta, Inc.



**Computer Sciences Corp.**: VP- Finance, Corp. Development and Treasurer, 2012 to 2017

- Led transaction team on merger with SRA International to form CSRA Inc.
- Previously, 20+ years' experience as investment banker and merchant banker at Bear, Stearns and Prudential

## CONCLUSION

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- **Total shareholder return (TSR) in the bottom third of peer group over the past five years and in the bottom quartile over the past ten years**
    - Recent revenue per share growth and ROIC subpar
  - Attractive underlying businesses whose values are being diluted by:
    - Outdated conglomerate structure: **\$50 million per year in unallocated corporate costs**
    - Egregious management compensation: **\$30 million paid to top four executives in 2021**
  - Largest segment (Consumer & Professional Products) has **margins well below peers'**
- 

### Griffon shareholders deserve:

- **Focused effort to improve margins at Consumer & Professional Products**
- **Comprehensive strategic review**
  - A full strategic review could result **in over \$50/share** for shareholders
- **Truly independent Board nominee**
  - Voss Capital has nominated one highly qualified individual, Charlie Diao, who will provide *truly* independent oversight and work to unlock value for all shareholders

# APPENDIX

## GRIFFON'S PEERS

**In our analysis, Voss Capital considered the following companies to be Griffon's peers; these are the same companies that Griffon identified as peers in its December 2020 Definitive Proxy Statement**

- A. O. Smith Corporation
- Advanced Drainage Systems, Inc.
- American Woodmark Corporation
- Armstrong Flooring, Inc.
- Central Garden & Pet Company
- Cornerstone Building Brands Inc
- Gibraltar Industries, Inc.
- Lennox International Inc.
- NETGEAR, Inc.
- Quanex Building Products Corporation
- UFP Industries, Inc.
- AAR Corp.
- Allegion PLC
- Apogee Enterprises, Inc.
- Armstrong World Industries, Inc.
- Ciena Corporation
- Fortune Brands Home & Security, Inc.
- HEICO Corporation
- Masonite International Corp.
- Patrick Industries, Inc.
- Simpson Manufacturing Co., Inc.

## CPP COMPETITORS

We believe Stanley Black & Decker's Tools and Storage segment and Finnish company Fiskars' Terra segment are close competitors of Griffon's CPP segment

### Griffon CPP

- Hand tools (hammers, axes)
- Garden equipment (rakes, hoes, hoses, snow shovels)
- Shelves for indoor closets / brooms



**\$1,229mm of FY2021 Revenue**

*48.4% of Company Revenue*

### SWK Tools and Storage

- Hand tools (hammers, knives, saws)
- Power tools (drills, saws, hedge trimmers, lawn mowers)
- Storage solutions (tool chests)



**\$10,330mm of FY2020 Revenue**

*71.1% of Company Revenue*

### Fiskars Terra

- Hand tools (hammers, knives, bolt cutters)
- Garden equipment (rakes, hoes, snow shovels, bags for yard waste)



**\$563mm of FY2020 Revenue**

*44.2% of FY2020 Revenue*

[HTTPS://WWW.RENOVATEGRIFFON.COM/](https://www.renovategriffon.com/)