

Withdraw recommendation of GFF with shares trading roughly in-line with our fair value

- ✓ GFF shares have returned 33.5% since our initial recommendation in July 2015 (versus ~4% increases in both the S&P 500 and the Russell 2000).
- ✓ That said, with the shares trading roughly in-line with our fair value estimate and at ~9.5x 2017E EBITDA we prefer to maintain a disciplined approach and withdraw our recommendation, as of today's close.
- ✓ Nevertheless, we will continue to monitor GFF for an opportunity to re-recommend the shares if valuation shifts or if we discern any softening in management's decidedly resistant stance on an elimination of its conglomerate operating structure.
- ✓ This week, GFF issued initial 2017E segment EBITDA guidance, which excludes about \$40 million of corporate costs, of \$225 million or better (compared with 2016 segment EBITDA of \$218 million).
- ✓ Our current \$21 fair value reflects a blended multiple of about 9.5x on 2017E EBITDA \$192 million less projected net debt of \$875 million (and a diluted share count of 43.6 million).

UPDATE

Griffon Corp.

(NYSE: GFF)

Price (11/18/2016) \$21.50/share

Market capitalization: \$1.1B

Home & Bldg.: \$28 per share

Telephonics: \$12 per share

Plastics: \$10 per share

Corp. Costs: (\$9 per share)

Net Debt: (\$20 per share)

SOTP: \$21/share

(See the 7/13/2015 report for more info.)

NOTE: This publication could be considered as advocating for corporate restructurings. Authors select companies for this report based on the potential for a future value-unlocking transaction. In many cases, these companies have or could come under activist investor pressure, media scrutiny, or general market speculation that a spin-off or asset sale is possible.



Institutional Research Group

PCS Research Services

100 Wall Street, 20th Floor

New York, NY 10005

(212) 233-0100

www.pcsresearchservices.com

Institutional Research Group, LLC ("IRG") is the author of this report. PCS Research Services ("PCS") is the exclusive marketer and an authorized distributor of this and other research reports created by IRG. IRG and PCS are affiliates. IRG, PCS and each of their respective employees and affiliates may have positions in the securities of companies mentioned herein. This report is based on information available to the public, and no representation is made with regard to its accuracy or completeness. This document is neither an offer nor a solicitation to buy or sell securities. All expressions of opinion reflect judgment at the date set forth above and are subject to change. All views expressed in this research report accurately reflect the research analysts' opinion about the subject matter contained herein. No part of the research analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report. Reproduction of this report is strictly prohibited. Institutional Research Group, LLC © 2016.