Fortune Brands to Proceed with Acquisition of Emtek and Schaub Premium Hardware Brands and the U.S. and Canadian Yale and August Residential Smart Lock Brands from ASSA ABLOY

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Highlights:

- Emtek and Schaub lead entry into new, highly synergistic premium and luxury hardware category
- Yale and August add scale and breadth to Fortune Brands' complementary security and connected smart home portfolio in the U.S. and Canada
- Acquisition expected to be $0.02 to $0.04 accretive to 2023 EPS and generate $500 million to $550 million of sales and $0.45 to $0.55 of EPS in the third full year following the acquisition
- Fortune Brands' transaction expected to close on or before June 30, 2023

DEERFIELD, Ill.--(BUSINESS WIRE)--May 5, 2023-- Fortune Brands Innovations, Inc. (NYSE: FBIN or "Fortune Brands" or the "Company"), an industry-leading home, security and commercial building products company, today announced that it will proceed with the acquisition of the Emtek and Schaub premium and luxury door and cabinet hardware business, and the U.S. and Canadian Yale and August residential smart home locks business (collectively the "Business") from ASSA ABLOY, Inc. (a subsidiary of ASSA ABLOY AB) (collectively, the "Acquisition").

The Acquisition agreement, which was first announced on December 1, 2022, was conditioned on the successful resolution of litigation among the Department of Justice, ASSA ABLOY, Inc. and Spectrum Brands, Inc. Today, the Department of Justice, ASSA ABLOY, Spectrum Brands and Fortune Brands resolved the lawsuit, which awaits final statutorily required approval from the Court overseeing the matter, which is expected to be received in short order. With the lawsuit settled, this allows Fortune Brands to proceed with the Acquisition.

"I am excited for Fortune Brands to proceed with the acquisition of the Emtek, Schaub, Yale and August brands. Our company is a great home for these world-class brands; we see many opportunities to build them within our portfolio," said Fortune Brands Chief Executive Officer Nicholas Fink. "Together with our existing iconic brands, loyal channel relationships, and supply chain expertise, we believe this acquisition will result in enhanced, innovative products for consumers and customers. This meaningful transaction is consistent with Fortune Brands' disciplined approach to value-creating acquisitions and our larger growth strategy."

The Business is comprised of leading brands in the fast-growing residential smart lock and the highly profitable and growing premium and luxury hardware categories.

Yale and August will add scale and breadth to Fortune Brands' complementary security and connected smart home portfolio in the U.S. and Canada, helping the Company to grow in the highly attractive connected products space. Yale and August will also bring strong innovation, digital capabilities and significant engineering expertise to Fortune Brands, augmenting its already powerful connected security portfolio.

Emtek and Schaub are leading luxury hardware brands with established and powerful distribution networks with leading channel partners and will be a highly synergistic complement to the House of Rohl suite of brands, allowing the Company to expand into adjacent product areas. Fortune Brands believes it can accelerate innovation and design and leverage its channel and consumer insights to create significant value over time.

Full-year 2022 revenues for the Business were approximately $400 million. The Acquisition purchase price is $800 million, or approximately $700 million net of tax benefits, on a cash-free, debt-free basis, subject to customary adjustments. Fortune Brands expects to receive tax benefits over a 15-year period with a net present value of approximately $100 million, and the net purchase price of $700 million equates to approximately 7.8x 2022 adjusted EBITDA for the Business before synergies. For the remainder of 2023, the Acquisition is expected to generate net sales of $190 million to $210 million and earnings per share of $0.02 to $0.04, inclusive of approximately $0.08 unfavorable EPS impact from purchase price amortization. As the Company executes upon identified synergies, it expects to generate net sales of $500 million to $550 million and EPS accretion of $0.45 to $0.55 in the third full year following the Acquisition.

Fortune Brands' closing of the Acquisition is conditioned on the successful closing of the Hardware and Home Improvement business transaction between Spectrum Brands and ASSA ABLOY. Fortune Brands anticipates its transaction will close on or before June 30, 2023.

Fortune Brands will retain the Business' associates and locations as it further assesses how best to fully integrate them into Fortune Brands' organization. The Company expects to include financial performance for Yale and August as part of Fortune Brands' Security reporting segment, and to include Emtek and Schaub financial results as part of the Company's Water Innovations reporting segment.

Fortune Brands plans to host a conference call prior to the close of the transaction to provide stakeholders with additional information.

About Fortune Brands Innovations

Fortune Brands Innovations, Inc. (NYSE: FBIN), headquartered in Deerfield, Ill., is a brand, innovation and channel leader focused on exciting, supercharged categories in the home products, security and commercial building markets. The Company's growing portfolio of brands includes Moen, House of Rohl, Aqualisa, Therma-Tru, Larson, Fiberon, Master Lock and SentrySafe. To learn more about FBIN, its brands and environmental, social and governance (ESG) commitments, visit www.FBIN.com.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This press release contains certain “forward-looking statements” made within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that are not historical statements of fact and those regarding our intent, belief, or expectations. Statements preceded by, followed by or that otherwise include the words “believes,” “positioned,” “expects,” “estimates,” “plans,” “look to,” “outlook,” “intend,” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not historical facts. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management. Although we believe that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those indicated in such statements, including but not limited to: unanticipated difficulties or expenditures relating to the proposed transaction, including, without limitation, difficulties that result in the failure to realize expected synergies, efficiencies and cost savings from the proposed transaction within the expected time period (if at all); legal proceedings, judgments or settlements, including those that may be instituted against the seller, its board of directors, executive officers and others following the announcement of the proposed transaction; disruptions of our or the Business’s current plans, operations and relationships with customers, suppliers, distributors, business partners and regulators caused by the announcement and pendency of the proposed transaction; potential difficulties in employee retention due to the announcement and pendency of the proposed transaction; the possibility that the proposed transaction does not close, including, but not limited to, failure to satisfy the closing conditions; general business and economic conditions; our reliance on the North American repair and remodel and new home construction activity levels; our reliance on key customers and suppliers; our ability to maintain our strong brands and to develop innovative products while maintaining our competitive positions; our ability to improve organizational productivity and global supply chain efficiency; our ability to obtain raw materials and finished goods in a timely and cost-effective manner; the impact of sustained inflation, including global commodity and energy availability and price volatility; the impact of trade-related tariffs and risks with uncertain trade environments or changes in government and industry regulatory standards; our ability to attract and retain qualified personnel and other labor constraints; the uncertainties relating to the impact of COVID-19 on the Company’s business and results; our ability to achieve the anticipated benefits of our strategic initiatives; our ability to successfully execute our acquisition strategy and integrate businesses that we have and may acquire; and the other factors discussed in our securities filings, including in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission. The forward-looking statements included in this release are made as of the date hereof, and except as required by law, we undertake no obligation to update, amend or clarify any forward-looking statements to reflect events, new information or circumstances occurring after the date of this release.

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