

**Attention ASX Company Announcements Platform
Lodgement of Open Briefing®**



Alesco Corporation Limited
Level 24
45 Clarence Street
Sydney, NSW 2000



Date of lodgement: 01-Dec-2006

Title: Open Briefing®. Alesco Corporation. Acquisition of Lincoln Sentry

Record of interview:

corporatefile.com.au

Alesco Corporation Limited (ALS) today announced the acquisition of the Lincoln Sentry Group for \$84 million. Lincoln Sentry is one of Australia's leading distributors of branded hardware used in the kitchen cabinet making and doors and window industries. Can you please explain the strategic attractiveness of this sector?

CEO Justin Ryan

The key attraction is to increase our exposure to the growth trends in the Australian kitchen, bathroom and laundry marketplace, particularly the growing renovation segment. We consider the prospects for growth are strong in both the medium and the long term. This is an area where we are already active through our Parbury and Robinhood businesses, and this acquisition will enable us to capture more value more quickly than we could through organic growth alone.

Over the past four to five years there has been a trend towards renovations as a proportion of total building spend. Currently for every three kitchens built one is a new build and two are renovations, with this proportion growing in favour of renovations as housing stock matures. An attraction to us is that renovations, unlike new build are not cyclical.

In addition to these trends, the actual proportion of renovation budget being spent on kitchens continues to increase as kitchens become ever more central to our lifestyles. It is a very attractive growth segment of the market.

In Australia the average time between kitchen replacements has been reducing as a result of continuing innovation in and around the kitchen – a trend which is consistent with overseas experience.

Lincoln Sentry has also demonstrated a good track record of growth in its Windows, Doors & Glazing business, supplying hardware and components to this growing market.

corporatefile.com.au

How does the acquisition fit your strategic growth parameters? How does it complement the existing portfolio?

CEO Justin Ryan

There are several ways that we see the acquisition fitting into our strategy.

A key goal we have is to develop industrial businesses in niche markets. Certainly Lincoln Sentry fits that description.

Also we like to invest in businesses with high market share. Again, Lincoln Sentry fits that description. By market share, the business is Australia's number one supplier of hardware to kitchen cabinet makers. Parbury, our current business, is already a significant player in this industry.

Lincoln Sentry is also the largest supplier of hardware, components and industry specific tools and consumables to the domestic and commercial window and door market representing some 35 percent of Lincoln's current turnover.

We also like to invest in companies with strong brands. Lincoln Sentry distributes a number of well known global brands including Blum, Assa Abloy and 3M, and the Lincoln Sentry brand is itself a very well known distribution channel.

Finally we like to have diversity in both our customer and supplier base. Lincoln Sentry has approximately 7,500 customers and of those, 4,400 are in the cabinet making channel. This is clearly a very fragmented customer base, and furthermore it's likely to remain that way. The window and door fabrication market is also similarly fragmented.

As for suppliers Lincoln Sentry has a very broad product range which it supplies nationally. It has a couple of large suppliers, with Blum being the largest, but thereafter it very quickly tails down to a long list of smaller, sometime local, suppliers.

corporatefile.com.au

Lincoln Sentry has been privately owned to this point in time with limited financial information in the public domain. Can you tell us a little of the historic financial performance of the activities?

CEO Justin Ryan

In 2003 Lincoln Sentry had revenues of around \$100 million. In 2007 it will have close to \$150 million. This represents compound annual top line growth exceeding

10 percent. All of this growth was achieved organically. Clearly this is in contrast to the general recent weakness in the building market place, and we believe this demonstrates the strength of their business and culture. Taking a longer view the business has grown sales in each of the last 20 years.

corporatefile.com.au

What geographic exposure does Lincoln Sentry currently have?

CEO Justin Ryan

Lincoln Sentry is headquartered in Queensland. The group has its strongest market share there, and of course it's a real growth state. Of its national branch network 9 of its 24 outlets are in Queensland, so whilst it's biased to that state, it is fully represented across the country with major Distribution Centres in both Sydney and Melbourne.

corporatefile.com.au

Post the acquisition Alesco is renaming the Kitchen and Laundry division the Building Products division. Does this suggest that the purchase is increasing the group exposure to the cyclical nature of the building industry? How will the deal affect the balance of the diversified group structure?

CEO Justin Ryan

Typically the renovation market has a more muted cycle than the new homes building market. Over the medium and long term it is a growth market. Importantly Lincoln Sentry is a growth business within that segment. It has increased its market share over the last three years, which is reflected in its revenues moving from \$100 million to \$150 million.

Whilst we have increased our exposure to the building sector it is skewed towards to the more attractive renovation segment and focuses in on quite specialised areas around innovative storage solutions and the window fabrication segment where new building codes will lead to increased demand for more energy efficient products.

Our increased exposure to this sector comes at a time when industry experts are predicting a recovery in the housing market during the course of 2007.

corporatefile.com.au

The strong sales trend has been achieved through a soft patch in the building cycle. What is it about the Lincoln Sentry business model that has driven this performance? What market growth trends are you expecting in the short to medium term?

CEO Justin Ryan

They have the right business model and an excellent culture within the business which has been built over a 20 year period. It's a sales driven culture which is focused on taking market share by providing cabinet makers and window & door fabricators with innovative products and solutions.

Essentially, they've identified and captured a major trend. Through their Functional Kitchen Design Centres they've really driven growth around hinges and drawer systems. By bringing in builders and architects to the centres and training them on the products that are available they've managed to grow demand.

corporatefile.com.au

Will incumbent management be transferred to Alesco post closure of the deal?

CEO Justin Ryan

Yes. The current owners have stepped back from their management responsibilities in the last 12 months and have put in place a professional management team which will be joining Alesco.

corporatefile.com.au

What has been the recent capex profile of the acquired business? Will the business require significant short term investment?

CEO Justin Ryan

We consider this to be a very well invested business and do not see the need for any significant short or medium term capital investment.

Recently the EBITA margin has been bearing the impact of a significant investment instigated in 2003. This investment in infrastructure and fixed costs has given the company capacity to target sales of A\$200 million and includes the implementation of a JD Edwards IT system. As revenues grow, overheads won't grow commensurately.

corporatefile.com.au

Parbury already has a kitchen hardware distribution business. What are the implications and opportunities for the unit as a result of this purchase? How significant will any integration charges be, and are you expecting there to be any cost synergies available to Alesco?

CEO Justin Ryan

We intend to develop a dedicated and focused hardware business to be consolidated under the Lincoln Sentry brand. This will also provide a dedicated and focused decorative surfaces business under the Parbury brand. As a result, the hardware business that is presently part of Parbury will be transferred to Lincoln Sentry.

Integration planning will take place between now and completion of the deal. We'll provide the market with an update of the cost and benefits of synergies associated with the integration when we announce our half year results in late January.

corporatefile.com.au

Previously Alesco has set out some clear targets for the financial performance criteria that acquisitions must be able to reach (EBITA margin above 10 percent, business unit ROFE above 20 percent). How do you expect the Lincoln Sentry acquisition to compare against these metrics?

CEO Justin Ryan

We expect that in 2007 Lincoln Sentry will generate an EBITA margin of around 7.5 to 8 percent. Having said that it's important to know that historically the business has achieved the 10 percent margin benchmark on a standalone basis. In the past two years the owners have invested heavily in the business as a foundation to support the growing revenue base. Whilst margins have suffered temporarily we are confident it will get back to its 10 percent return on sales in the medium term. The business has a strong growth outlook in growing market segments.

In terms of return on funds employed, that is clearly a factor of the price we pay for the business. Our expectations of organic growth combined with potential synergies should deliver our target returns within the medium term.

corporatefile.com.au

You have announced that the \$84 million deal will be 100 percent financed by debt, yet previously you've indicated an incremental debt capacity of approximately \$60 million. Post deal, where will your group net debt/equity ratio stand and how does that compare to your targeted range? Will this limit your capacity to consider further acquisitions in the short to medium term?

CEO Justin Ryan

After the acquisition our gearing on book equity will rise slightly above our target range of 50 to 80 percent. We are comfortable with this level of gearing in the short term given that the business we are acquiring is quite cash generative and our interest cover will remain above 5 times. We would anticipate reverting to our target range relatively quickly.

In relation to our ability to make further acquisitions, we will clearly look at each potential acquisition on its merits. We will review all funding options as and when opportunities arise with a mind to an efficient balance sheet.

corporatefile.com.au

Are there any implications for your recently increased dividend payout ratio of approximately 85 percent?

CEO Justin Ryan

No, none. Our policy will remain the same.

corporatefile.com.au

You have previously given guidance that excluding significant acquisitions you expect single digit EPS growth for the 2007 financial year. Lincoln Sentry will be consolidated from 31 January 2007. In light of this, what EPS guidance can you now give? What impact do you expect in the first full year contribution from Lincoln?

CEO Justin Ryan

Our guidance remains that we should achieve single digit EPS growth for the year end May 2007. The acquisition won't be completed until the 31st of January 2007. It won't have a material impact on earnings this year.

Having said that, we do expect that the first full year EPS contribution should be approximately 5 cents per share. This does not include any synergies that may be achievable in the medium term.

corporatefile.com.au

Thank you Justin.

For more information about Alesco, visit www.alesco.com.au or call Justin Ryan or Neil Thompson (Chief Financial Officer), on +61 2 9248 2022.

For previous Open Briefings by Alesco, or to receive future Open Briefings by e-mail, visit www.corporatefile.com.au

DISCLAIMER: Corporate File Pty Ltd has taken reasonable care in publishing the information contained in this Open Briefing®. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Corporate File Pty Ltd is not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.