JACUZZI BRANDS INC
Form DEFA14A
January 10, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(Rule 14A-101)

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))

o Definitive Proxy Statement

x Definitive Additional Materials

o Soliciting Material Under Rule 14a-12

JACUZZI BRANDS, INC.

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No:

(3) Filing Party:

(4) Date filed:

Jacuzzi Brands, Inc.

Cash Acquisition By

Apollo Management, L.P.

January 10, 2007

Forward Looking Language / Where to Find Additional Information

These materials contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including Jacuzzi Brand's current expectations with respect to future market conditions, future operating results and other plans. Words such as “expects,” “intends,” “anticipates,” “plans,” “projects,” “probably,” “believes,” “estimates,” “may,” “should,” “shall,” and similar expressions typically identify such forward-looking statements. Even though Jacuzzi Brands believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. In particular, various economic and competitive factors, including those outside our control, such as interest rates, foreign currency exchange rates, inflation rates, instability in domestic and foreign financial markets, acts of war, terrorist acts, outbreaks of new diseases, consumer spending patterns, energy costs and availability, freight costs, availability of consumer and commercial credit, adverse weather, levels of residential and commercial construction, changes in raw material and component costs, and the credit worthiness of our customers, insurers, and investees, and other factors contained in Jacuzzi Brand's filings with the SEC could cause our actual results to differ materially from those expressed in these materials.

In connection with the proposed merger, Jacuzzi Brands filed a proxy statement with the Securities and Exchange Commission on January 5, 2007. JACUZZI BRANDS URGES INVESTORS TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. The proxy statement and other relevant documents may be obtained free of charge at the SEC's website, www.sec.gov, or from Jacuzzi Brands by directing such request to Jacuzzi Brands, Attention: Diana Burton, Vice President - Investor Relations, Phillips Point - West Tower, 777 South Flagler Drive, Suite 1100, West Palm Beach, FL 33401. Telephone: (561) 514-3850.

Jacuzzi Brands Overview:

Exclusive Focus on Bath and Plumbing

- FY 2006 total sales of $1.2 billion
- Bath
  - FY2006 Sales: $766.6 million (64% of total sales)
  - Global leader in whirlpool baths and spas
  - Need for continued operating improvement
  - Consumer and residential focus
  - International market 47% of sales
  - UK Bath business requires extensive restructuring
- Plumbing
  - FY2006 Sales: $435.8 million (36% of total sales)
  - Engineered water solutions with leading market positions
    - Specification drainage
    - Backflow preventers & valves
    - Plumbing systems & commercial faucets
    - PEX piping & radiant heating
  - Historical operating margin of approximately 20%
  - Commercial and institutional focus
  - North American market 98% of sales
- Alex Marini, long-term head of Plumbing, promoted to CEO on August 31, 2006

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Compelling Transaction (1 of 2)

- Affiliates of Apollo Management L.P. to acquire 100% of the outstanding common stock of Jacuzzi Brands for $12.50 per share in cash
  - Total transaction value of approximately $1.25 billion
  - Implied FY2006 EBITDA multiple of 9.6x
  - Implied FY2006 P/E multiple of 22.3x
- Premium to Jacuzzi Brands' pre-deal stock price and historical trading prices:
  - 46.4% premium to pre-proposal price of $8.54 on August 4
  - 28.5% premium to the closing price 30 days prior to October 11
  - 20.8% premium to October 10 pre-announcement closing price of $10.35
- Immediate and certain cash value for Jacuzzi Brands stockholders
- Committed financing through combination of equity contributed by Apollo and debt financing

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Compelling Transaction (2 of 2)

- Below market break-up fee (2% of transaction value) provides low financial hurdle to any interested potential acquirer
- Fairness opinion from Lazard
- Approved by Jacuzzi Brands’ Board of Directors
- Customary closing conditions, including approval by Jacuzzi Brands’ stockholders
- Expected to be completed by early to mid-February 2007

Apollo’s Offer Of $12.50 Per Share In Cash Is Compelling and Represents Fair Value For Jacuzzi Brands Stockholders

Increasing Longer Term Hurdles (1 of 3)

- Challenging operating environment for Bath and Plumbing
  - Continuing weakness and negative impact of residential housing market downturn
    - Declining housing starts
    - Start / completion gap at near historic levels
    - Existing home prices under pressure and remodeling market has yet to rebound
  - Significantly declining domestic spa market
    - Industry volumes in 2006 are reported to be lower by 30-40% compared to 2005 and trend is continuing
  - Consolidating customer base
    - Increasing retail pressure in U.S. and UK
    - Wholesale market consolidation
  - Slowing growth in domestic commercial and institutional construction activity
  - Volatile commodity costs
  - Stagnant economies in most significant European markets

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Increasing Longer Term Hurdles (2 of 3)

- Competition is becoming more aggressive
  - Increased foreign competition
    - Bathroom suites
    - Kitchen sinks
    - Commercial brass
    - PEX
    - Drains
  - Kohler Tier One Program
  - Roca aggressively attacking European markets
  - Existing customers establishing private-label brands through foreign sourcing

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Increasing Longer Term Hurdles (3 of 3)

- Continuing investments required to improve performance
  - Manufacturing to foreign sourcing
  - Legacies and corporate SG&A
  - UK operations challenging
    - Two-year trend of increasing losses, although improving
    - Significantly underfunded UK pension in a more stringent UK regulatory environment limits alternatives

- World-famous brand but unfavorable industry characteristics

Jacuzzi Brands Faces Significant Operational and Financial Challenges As A Stand-Alone Company

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Fiscal 2007 Forecast

- In December 2006, management revised projected EPS from continuing operations to $0.75 per share (excluding merger costs)
  - Aggressive fiscal 2007 earnings target includes estimated $0.04 per share of non-operational items including:
    - Sale of surplus properties
    - Increased non-cash pension income
    - Favorable currency exchange
    - Lower tax rates
  - Major assumptions include:
    - Successful execution of business strategies to outperform the residential housing market, which the Company expects to decline but moderate while the renovation market improves
    - Continued growth in domestic commercial and institutional construction activity
    - Successful new product introductions driving sales and profit margins for the Bath segment, which has experienced increasingly difficult trading conditions
    - Successful marketing initiatives and dealer enhancements to increase spa market share, in a significantly declining domestic market, together with increased penetration of European markets
    - Continued conversion of copper plumbing to PEX, consistent with recent industry trends, sufficient to overcome both increased competition and a declining residential construction market
    - Return to profitability of the U.K. operations following a 2-year trend of increasing losses
    - Product price increases to offset continued overall inflationary cost pressures on commodities including energy
    - Continued reductions of corporate overhead costs
    - Increased non-cash pension income, primarily due to a higher discount rate

To Successfully Navigate These Challenges,
Jacuzzi Brands Must Operate On All Cylinders
To Achieve Its Stated Earnings Objectives For Fiscal 2007

Extensive, Thorough Board Process (1 of 2)

- Board of Directors commenced a strategic review of the Company's business and operations (October 2004)
  - As part of this process Lazard was asked to prepare a review of Jacuzzi Brands' business plan, acquisition strategies and strategic alternatives (December 2004)
- Board authorized Lazard, with oversight by the Finance Committee, consisting solely of independent directors, to gauge potential interest (February 2005)
  - As a result 9 potential buyers (including Apollo) executed confidentiality agreements and received non-public information
- In May 2005, the Company publicly announced the Board's intention to review strategic alternatives with the assistance of Lazard
  - Following this public announcement an additional 4 parties executed confidentiality agreements and received non public information
- Interested parties declined to bid a premium for the Company following a downward trend in the financial performance of the Bath business (August 2005)
  - No attractive offers made for either the whole Company or its businesses
  - Board decided to focus on stabilizing downward trend; terminated COO (who had been designated as the CEO successor); and deemphasized sale process
  - Company's various legacy liabilities, including asbestos, product liabilities, underfunded UK pension plan and environmental, turned out to be difficult gating issues for strategic buyers

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Extensive, Thorough Board Process (2 of 2)

- Summary preliminary indications of interest from Spring 2005 to Spring 2006
  - No attractive offers received

CAs Sent	Type	Offers Received
13	7 Strategic 6 Financial	2 at market offers for the Company 4 offers for Bath 7 declined to make an offer

- Apollo's investment in Rexnord, which closed in July 2006, turned Apollo into a strategic buyer
- Apollo reiterated its interest in the Company after teaming up with George Sherman, former CEO of Danaher Corp. and current non-executive Chairman of Rexnord (July 2006)
  - Made firm offer to acquire the Company (August 2006)
- Company Board engaged in extensive negotiations over price and terms of Apollo proposal
- Jacuzzi Brands' Board of Directors approved the Company's merger agreement and merger with Apollo and determined that the merger was in the best interests of the Company's stockholders (October 2006)
- As of the date of this presentation, no third party has contacted Jacuzzi Brands to request confidential information or to make a superior proposal since announcement of Apollo transaction
- All other offers were preliminary and no party in original process provided a definitive, firm transaction at the valuation originally indicated

The Apollo Transaction Is The Only Premium Offer Received By Jacuzzi Brands

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Strategic Considerations

- Board of Directors proactively reviewed a full range of alternatives to maximize stockholder value
  - Remain independent and operate the business
  - Sell Jacuzzi Bath and repurchase shares
  - Re-leveraging of balance sheet and/or return of capital to stockholders through repurchasing shares
- Alternatives considered showed projected returns less than the proposed Apollo transaction

Sale of Jacuzzi Brands To Apollo Is The Most Compelling Value Maximizing Alternative For Stockholders

The Apollo Transaction Remains Superior To All Other Alternatives

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Valuation Analysis

(a) EPS capitalized at 15-17x and discounted at 12% cost of equity.

(b) Based on 2007E EBITDA.

(c) Based on 2006 EBITDA.

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Roadmap to Completion

• Record date for stockholder vote	December 11, 2006
• Distribution of proxy materials	January 5, 2007
• Annual Meeting of Stockholders	January 25, 2007
• Anticipated closing of transaction	Early to Mid-February 2007

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Conclusion

- The Apollo-Jacuzzi Brands transaction was the result of an extensive and thorough exploration of strategic alternatives
- Apollo’s offer of $12.50 per share in cash represents fair value for Jacuzzi Brands stockholders
- Apollo’s all-cash premium offer is and remains the only offer received by Jacuzzi Brands
- Jacuzzi Brands’ Board of Directors recommends that all stockholders vote FOR the Apollo transaction

Appendix: EBITDA

($ in millions)

	FY2006
Operating Income	$ 103.6
Depreciation and Amortization	24.4
EBITDA Before Restructuring and Other Charges	$ 128.0

(1) Includes restructuring and other charges of $7.2 nillion ($1.2 nillion of which is accelerated depreciation), $2.6 nillion of cost associated with the previous CEO's retirerrent and $2.9 nillhn of SEWcosts related to previous years.

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Important Information for Investors and Stockholders

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The Company and its directors, executive officers and other members of management and its employees may be deemed to be participants in the solicitation of proxies from the stockholders of the Company in connection with the merger. Information about the Company's directors and executive officers is set forth in the Company's proxy statements and annual reports on Form 10-K, previously filed with the SEC, and the proxy statement relating to the proposed merger.