

20 February 2019

Fletcher Building Limited – 2019 Half Year Results

Please find attached the following documents relating to Fletcher Building Limited's half year results for the six months ended 31 December 2018.

- (a) Media Release
- (b) HY19 Results Presentation
- (c) NZX Appendix 1
- (d) NZX Appendix 7 [Dividend declaration]

The 2019 Interim Report is being loaded separately on ASX online and will be available on Fletcher Building website www.fletcherbuilding.com.

Dividend information filed on Appendix 3A.1 will follow.

ENDS

Fletcher Building announces return to profitability, dividend declared

Auckland, 20 February 2019: Fletcher Building today announced net earnings of \$89 million for the six months ended 31 December 2018, compared with a loss of \$273 million for the first half of FY18.

EBIT before significant items was \$285 million compared with a loss of \$322 million in the prior period. Half year earnings were 8% lower when compared with EBIT before significant items (adjusted for B+I provisions) of \$309 million for the first half of FY18. This is within the guidance given at the Annual Shareholders Meeting (ASM) in November 2018.

As a result of the return to profitability the Fletcher Building Board is pleased to declare an interim dividend of 8.0 cents per share to be paid on 10 April 2019. Given the expected settlement timing of the Formica sale, the FY19 dividend will be weighted towards the final dividend. No New Zealand imputation credits or Australian franking credits will be attached to the interim dividend. The dividend reinvestment plan will not be operative for this dividend.

Fletcher Building CEO Ross Taylor said: "We are pleased to deliver a result in line with the earnings guidance provided at the ASM, and to be able to reinstate dividend payments.

"In the first half we have made good progress on our strategy to refocus Fletcher Building on its core in New Zealand and Australia. In particular, we have completed the divestment of Roof Tile Group and signed an agreement to sell Formica for US\$840 million, which we expect to complete by the end of the financial year.

"Our operating results across our core New Zealand businesses have been solid in the first half, and we are on track to close-out the B+I projects within the current provisions. In Australia we have been impacted by the sharp decline in the residential market as well as higher input costs. We are focused on setting the Australian business up for improved performance from FY20, which will include a reset of the cost base."

Group EBIT (excluding significant items and assuming a full year of Formica earnings) for FY19 is expected to be in the range of \$650 million to \$700 million. This compares to the earnings guidance of \$630 million to \$680 million provided at the ASM. The \$20 million increase in earnings guidance is due to the treatment of the Formica business as 'held for sale' and hence the assets are not subject to depreciation in the second half of FY19.

#Ends

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Media Teleconference

CEO Ross Taylor and CFO Bevan McKenzie will host a teleconference for media at **10.00am NZT today (8.00am AEST)** to provide more detail on this announcement. The passcode to join the teleconference is **Passcode: 277276**

Investor Call

CEO Ross Taylor and CFO Bevan McKenzie will host a teleconference and webcast for investors at **11.00am NZT today (9.00am AEST)** to provide more detail on this announcement. The passcode and link to the webcast to join the teleconference and webcast is:

Webcast: <https://edge.media-server.com/m6/p/th68bwxt>

Passcode: 231101

A replay is available using the following details:

Replay Pin: 7532#

New Zealand:	0800 886 078
Australia:	1800 265 784
Other countries:	+61 7 3107 6325

Fletcher Building

Half Year Results to 31 December 2018

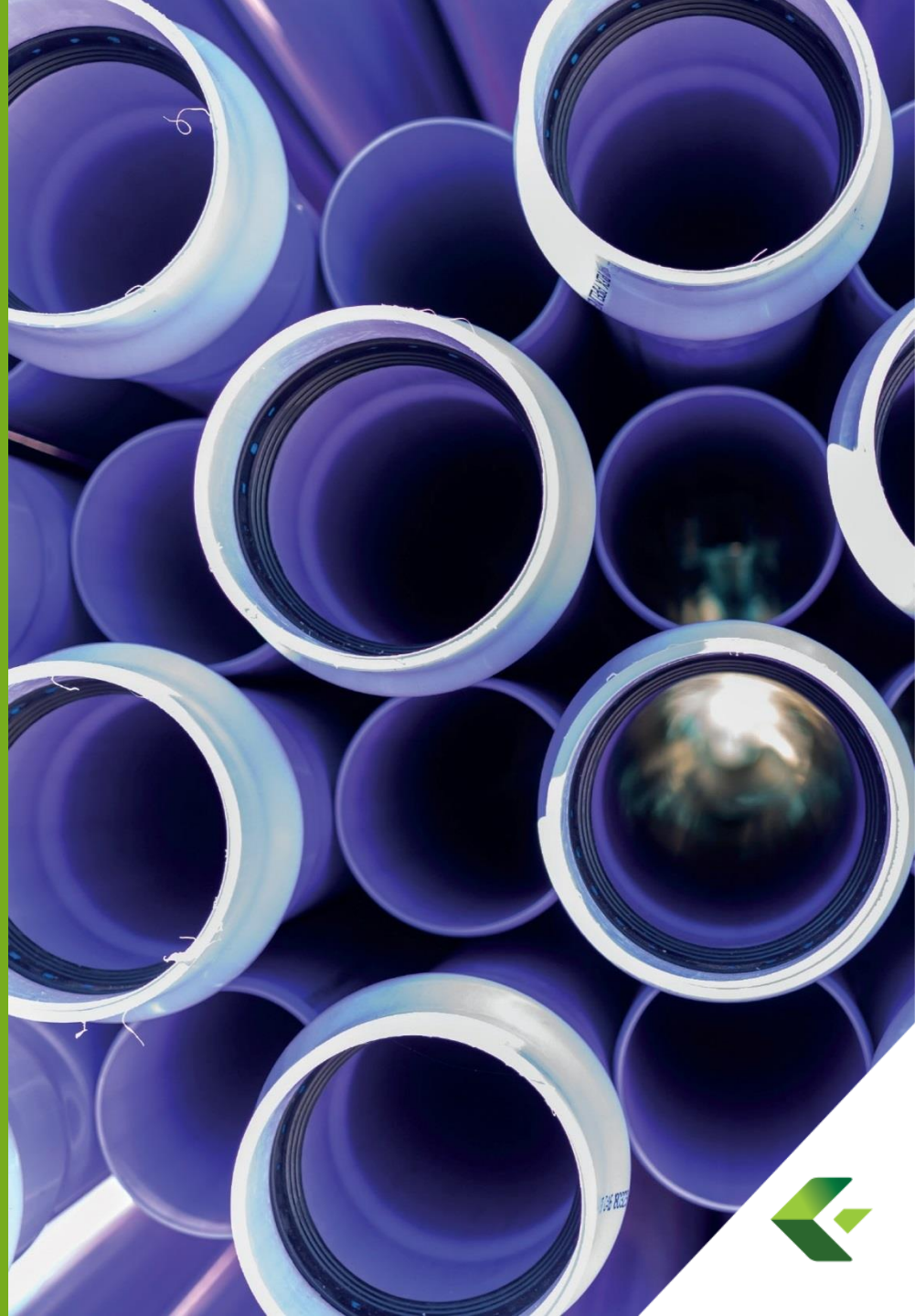
ROSS TAYLOR

— Chief Executive Officer

BEVAN MCKENZIE

— Chief Financial Officer

20 February 2019



Important Information

This Half Year Results presentation dated 20 February 2019 provides additional comment on the Interim Report of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that commentary.

In certain sections of this presentation the Group has chosen to present certain financial information exclusive of the impact of Significant Items and/or the results of the Building + Interiors (B+I) business unit. Where such information is presented, it is clearly described and marked with an appropriate footnote. This allows the readers of this presentation to better understand the underlying operations and performance of the Group.

The Group's financial results, including comparative information, have been presented in accordance with the revised divisional structure announced on 21 June 2018.



Content

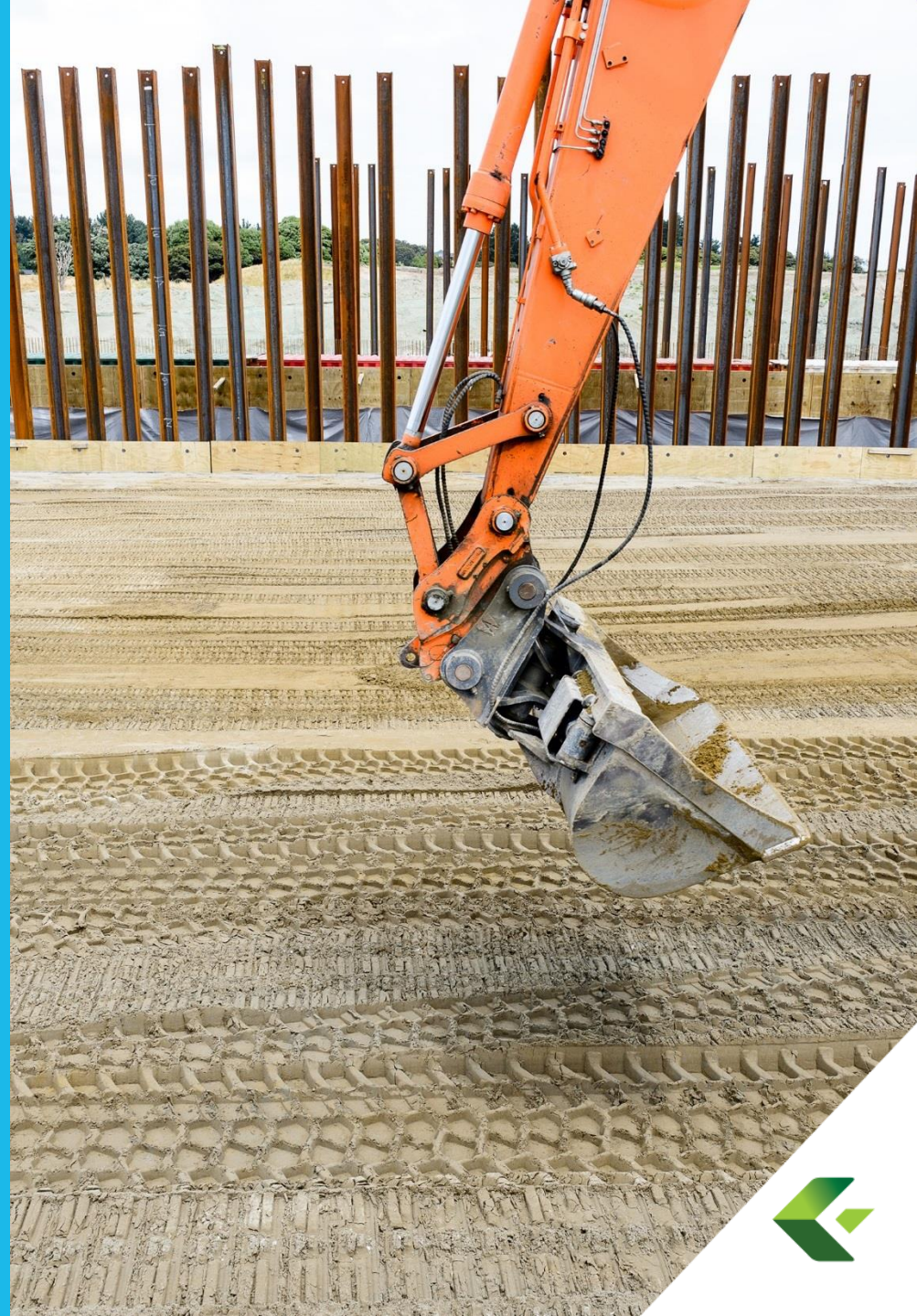
1. Results Overview

2. Divisional Performance

3. Financial Results

4. Outlook

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Results overview

Continued implementation of five year strategy

FY19 refocus and stabilise: returned to profitability, dividend reinstated, on track to deliver transition year

1. Refocus on the NZ core

- ✓ Solid NZ market backdrop
- ✓ Core NZ businesses maintained revenue in line with competitive market
- ✗ Margin compression in core NZ business, cost base pressure

2. Stabilise Construction

- ✓ Construction division returned to profitability
- ✓ Continued progress on B+I projects, 8 projects remain to be completed
- ✓ No change to B+I provisions

3. Strengthen Australia

- ✗ Sharp decline in residential and commercial markets, higher input costs, increased competition
- ✓ Intervention this half, reset of Division to set up for FY20

4. Exit non-core businesses

- ✓ Roof Tile Group sold
- ✓ Formica sale agreed for NZD\$1.25bn



Results overview

In line with guidance

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change \$m
Revenue	4,889	4,754	(135)
Operating earnings before significant items ¹	(322)	285	607
Net earnings before significant items	(273)	160	433
Significant items (pre tax)	0	(68)	(68)
Net earnings	(273)	89	362
Cashflow from operating activities	110	(114)	(224)
Basic earnings per share (cents)	(39.2)	10.4	49.6
Dividends declared per share (cents)	0.0	8.0	8.0
Operating earnings before significant items ex B+I	309	285	(24)

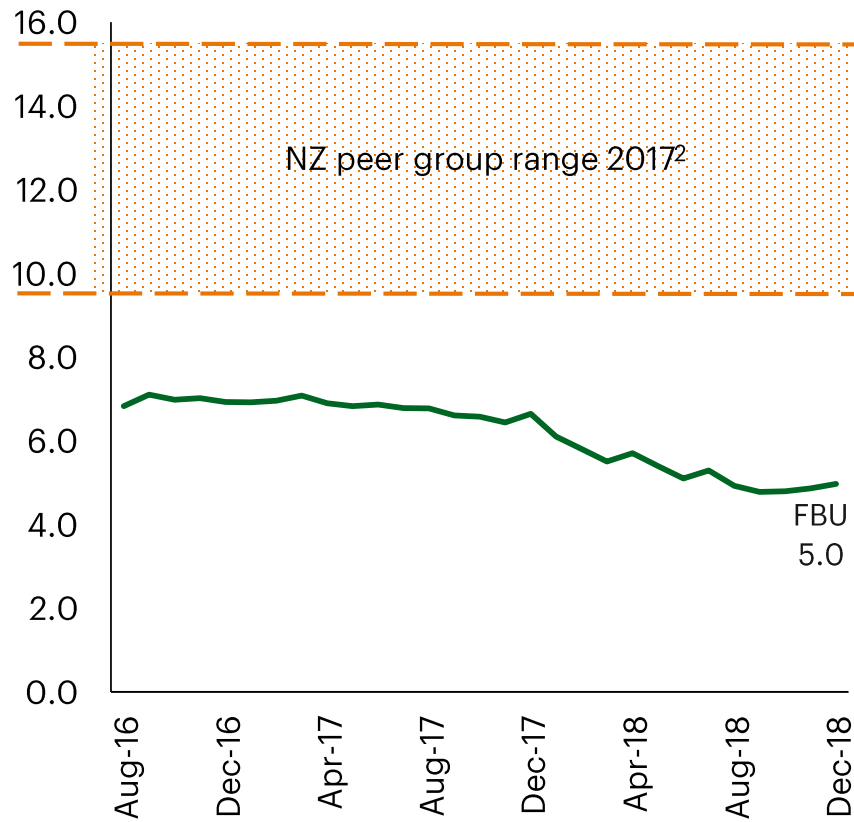
¹ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building's financial statements for the six months ended 31 December 2018. Details of significant items can be found in note 4 of the financial statements.



Results overview

Safety performance

Total Recordable Injury Frequency Rate¹



¹ Number of injuries over the last 12 months rolling per million hours worked

² Source: NZ Business Leaders H&S Forum 2017

Safety performance

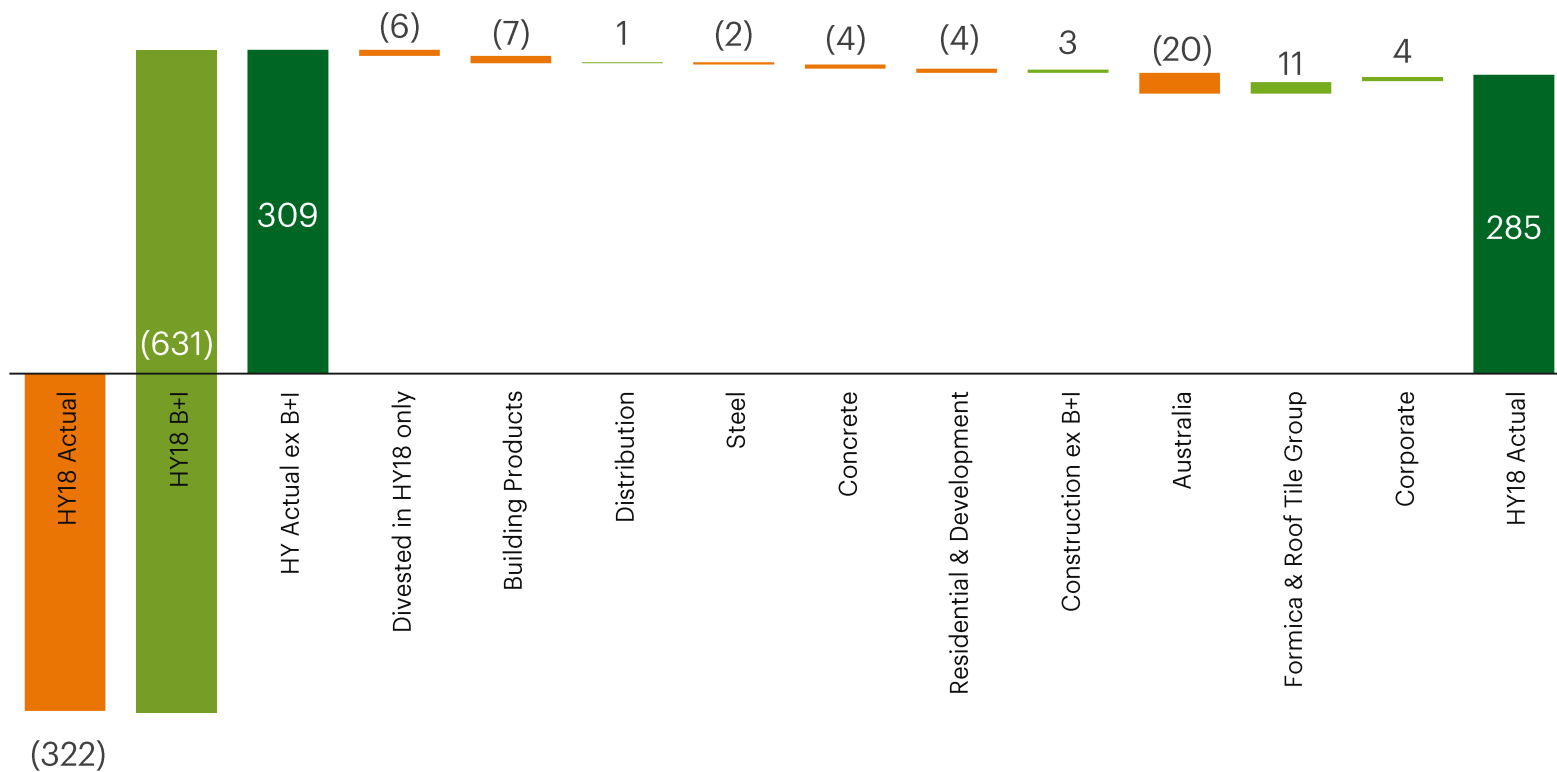
- Deeply saddened to have two recent fatalities on our sites
- Ongoing safety improvement across the Group
- TRIFR 5.0 at 31 December 2018, better than industry averages
- Reinforced our focus and efforts to ensure everyone who works with us at Fletcher Building returns home safely each day



Results overview

HY19 vs HY18 EBIT bridge

EBIT¹
NZ\$m



¹ Before significant items



Content

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2. Divisional Performance

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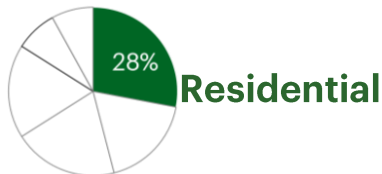
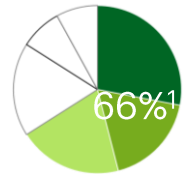
4. Outlook

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Industry context New Zealand

Elevated activity in all sectors, growth plateaued



- Residential activity remains elevated:
33k consents in 2018, just short of 2004 peak
 - Growth in Auckland and Wellington, offset by declines in Bay of Plenty and Canterbury
- Supported by ongoing population growth:
48k net migration in 2018, though rate is slowing
- Average floor area of new consents declining:
continued shift to apartments and townhouses
 - On a lagged, floor-area basis, overall residential activity in 1H19 was flat year on year
- House sales volumes stabilising, although inventory of houses for sale relatively low
- House prices in key Auckland and Christchurch markets flat to slightly declining
- Kiwibuild volumes currently small, however potential exists to grow materially



- Activity at historical high levels: annual value of consents >\$7bn in 2018
- Growth rates showing signs of easing
- Highly competitive for materials suppliers



- Activity at historical high levels, driven by large roading projects
- Pipeline of projects slowed materially in past 12 months, as change in Government priorities flows through
- Planned increased spend on transport with shift towards rail and regional road safety upgrades

¹ Percentage of group gross revenue excluding Formica and RTG



Building Products

Result detail

Divisional Exposure

Resi, 58%

Com, 21%

Infra, 21%

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change
Gross Revenue	405	389	(4)%
External Revenue	324	304	(6)%
EBITDA	80	72	(10)%
EBIT	73	66	(10)%
Trading Cash Flow	73	58	(21)%
EBIT margin %	18%	17%	(1)%pt
ROFE ¹ %	29%	26%	(3)%pt
Capex	7	10	43%
Cash Conversion ²	90%	73%	(17)%pt
Domestic board sales (000m ²)	0%	0%	
Glasswool sales (tonnes)	+2%	-2%	
Concrete pipe vol (000t)	+8%	+17%	
Plastic pipe sales vol (t)	+22%	+20%	

¹ EBIT/Closing Funds

² Cash conversion = FCF/EBIT

Building Products performance

- Revenue down 4% to \$389m, EBIT down 10% to \$66m
- Mixed revenue performance:
 - Wallboards revenue 3% higher with record sales in performance boards, strong momentum in Iplex NZ
 - More than offset by non-repeat of Humes project work
- Contraction in EBIT margins was a result of:
 - Continued higher input costs (eg electricity) and imported raw material costs (eg gypsum, resin) which could not be fully recovered in price
 - Strong competition in plasterboard sector
 - Adverse product mix in Laminex
- Innovation through Winstone Wallboards' new exterior sheathing solution

Outlook

- Solid market environment with elevated residential consents supporting sales
- Continued margin pressure, but look to recover input costs through price where possible



Distribution Result detail

Divisional Exposure

Resi, 71%

Com, 21%

Infra, 8%

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change
Gross Revenue	797	809	2%
External Revenue	777	786	1%
EBITDA	54	55	2%
EBIT	49	50	2%
Trading Cash Flow	59	49	(17)%
EBIT margin %	6%	6%	0%pt
ROFE ¹ %	39%	35%	(4)%pt
Capex	8	11	38%
Cash Conversion ²	104%	76%	(28)%pt
PlaceMakers revenue	5%	1%	
PlaceMakers stores	63	64	
Mico revenue	5%	6%	
Mico stores	64	64	

¹ EBIT/Closing Funds

² Cash conversion = FCF/EBIT

Distribution performance

- Revenue up 2% to \$809m, EBIT up 2% to \$50m
- Growing revenue
 - Strong Auckland growth in PlaceMakers partly offset by softer conditions in Waikato, Bay of Plenty and Christchurch
 - Strong growth in Mico across all regions
- Solid EBIT
 - PlaceMakers earnings up 2%
 - Mico earnings grew strongly, up 16%
- New PlaceMakers branch in Rotorua and digital mobility rolled out to all branches
- Mico expansion of category offering into concrete pipes
- Snappy continued to gain presence within the DIY market with expanded product offering

Outlook

- Robust environment, continue to target growth above market
- Mico revenue growth through increased commercial project opportunities in Auckland



Steel

Result detail

Divisional Exposure

Resi, 25%

Com, 36%

Infra, 39%

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change
Gross Revenue	267	283	6%
External Revenue	204	216	6%
EBITDA	25	24	(4)%
EBIT	23	21	(9)%
Trading Cash Flow	25	(22)	NM
EBIT margin %	9%	7%	(2)%pt
ROFE ¹ %	25%	18%	(7)%pt
Capex	6	8	33%
Cash Conversion ²	83%	(143)%	NM
Easysteel volumes (t)	+7%	+21%	
PCC local volumes (t)	+4%	+7%	
Fletcher Reinforcing Volumes (t)	+2%	-6%	

Steel performance

- Revenue up 6% to \$283m, EBIT down 9% to \$21m
- Growth in revenue driven by:
 - Market share gains in regional North Island
 - Commercial sector activity in Canterbury
 - Roofing volume growth
 - Increased sales pricing
 - Partially offset by subdued trading in Reinforcing business and competition in some key product categories
- EBIT decline due to higher input costs unable to be passed on, especially in painted coil
- Improved overheads from consolidation of 5 sites into 2 sites
- New operating management system in Reinforcing

Outlook

- Global steel/input costs and competitive environment placing pressure on EBIT margin
- Customer wins in Easysteel to deliver continued momentum into remainder of FY19

¹ EBIT/Closing Funds

² Cash conversion = FCF/EBIT



Concrete Result detail

Divisional Exposure

Resi, 41%

Com, 33%

Infra, 26%

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change
Gross Revenue	427	404	(5)%
External Revenue	287	275	(4)%
EBITDA	68	67	(1)%
EBIT	46	42	(9)%
Trading Cash Flow	41	49	20%
EBIT margin %	11%	10%	(1)%pt
ROFE ¹ %	14%	13%	(1)%pt
Capex	31	17	(45)%
Cash Conversion ²	22%	76%	(54)%pt
Domestic cement volumes	+5%	-6%	
Aggregates sales volumes	+12%	+3%	
Ready mix volumes	+3%	-3%	

¹ EBIT/Closing Funds

² Cash conversion = FCF/EBIT

Concrete performance

- Revenue down 5% to \$404m, EBIT down 9% to \$42m, cement mill breakdown impact
- Mixed business unit revenue contribution over the comparative period:
 - Strong aggregates revenue growth through improved pricing, volumes and mix
 - Lower GBC revenues from cement mill outage and lower sales volumes
 - Lower ready-mix sales due to project timing
- EBIT impacted by:
 - GBC cement mill outage \$6.7m
 - Underlying EBIT (net of outage) up 6% mainly through improved cement and aggregate margins, efficiencies in masonry manufacturing and execution of turnaround at a number of quarries
- Completion of Auckland airport precinct ready-mix plant boosting Firth network
- Tyre Derived Fuel project to sustainably dispose of NZ's end of life tyres

Outlook

- Waikato Aggregates Limited acquisition adding EBIT of \$2-3m to FY20
- Efficiency gains offset by continued higher input costs combined with 1H19 GBC outage resulting in decline in EBIT in FY19



Residential and Development Result detail

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change
Gross Revenue	236	251	6%
External Revenue	236	251	6%
EBITDA	47	43	(9)%
EBIT	47	43	(9)%
Trading Cash Flow	58	(7)	NM
EBIT margin %	20%	17%	(3)%pt
ROFE ¹ %	17%	13%	(4)%pt
Capex	0	0	NM
Cash Conversion ²	123%	(16)%	NM
Residential EBIT	30 ³	37	23%
Land Development EBIT	17	6	(65)%

Residential and Development performance

- Revenue up 6% to \$251m, EBIT down 9% to \$43m
- Increased units sold to 354 (346 dwellings and 8 sections) compared to 346⁴ (256 dwellings and 90 sections) in 1H18
- Auckland:
 - Strong demand for homes priced \$600-900k
- Christchurch:
 - Significant number of Atlas Quarter apartments sold, higher Awatea development sales delivered, first sales in One Central precinct
- Settlement times extended
- EBIT impacted by mix:
 - Residential margins lower with higher proportion of sales in lower margin Christchurch as forecast
 - Lower land development EBIT as expected

Outlook

- House build program weighted to 2H19, higher level of sales in Christchurch

¹ EBIT/Closing Funds

² Cash conversion = FCF/EBIT

³ \$36m if restated under IFRS15

⁴ 364 units (278 dwellings, 86 sections) if restated under IFRS15



Construction

Result detail

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change
Gross Revenue	1,001	866	(13)%
External Revenue	954	842	(12)%
EBITDA	(608)	25	NM
EBIT	(619)	15	NM
Trading Cash Flow	(112)	(97)	(13)%
EBIT margin %	(62)%	2%	NM
Capex	16	15	(6)%
Cash Conversion ¹	NM	NM	NM
B+I EBIT	(631)	0	NM
Higgins EBIT	18	15	(17)%
Infrastructure, Brian Perry Civil, South Pacific, Divisional costs EBIT	(6)	0	NM

Construction performance

- Revenue down 13% to \$866m, EBIT \$15m
- Decrease in revenues reflects project completion in B+I
- Return to operating profitability with EBIT of \$15m compared to EBIT loss of \$619m (\$12m ex B+I) in HY18
- At 31 December 2018 backlog of work was \$1.6bn (of which B+I \$0.5bn) compared to \$2.3bn at 31 December 2017 (of which B+I \$0.9bn) reflecting B+I project completion

Outlook

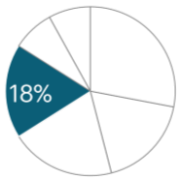
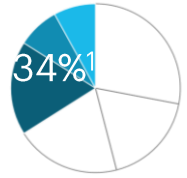
- Of 16 projects identified in February 2018 B+I update:
 - 8 complete at 31 December 2018
 - 7 forecast to be finished in calendar 2019
 - 1 forecast to be finished in 2020
- Project wins: Northern interceptor Project for Watercare, several Safe Roads projects for NZTA, Higgins Fiji successful re-tender for two maintenance contracts

¹ Cash conversion = FCF/EBIT



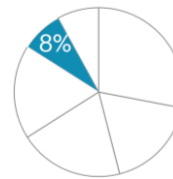
Industry context Australia

Sharp declines in residential and commercial sectors



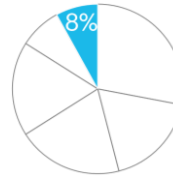
Residential

- Division mainly exposed to new detached/semi-detached housing, plus additions and alterations:
 - Accounts for c90% of AU residential exposure
- Small contraction in 1H19 activity in these sectors, however material contraction in forward work: 1H19 consents down 8% from 1H18
 - Housing stock has caught up to demand, credit tightening and falling house prices weighing on confidence
- Resulting high level of competitive intensity among materials suppliers
- Impact across most regions, though especially NSW and WA



Commercial

- Strong growth through 2017, now contracting across most sectors
- Value of work consented fell 15% in 1H19 vs 1H18



Infrastructure

- Division principally exposed to road, rail, water and coal seam gas
- Growth in projects brought to market in 2018
- Robust forward pipeline of funded work, especially in road and rail
- Dominated by East Coast

¹ Percentage of group gross revenue excluding Formica and RTG



Australia

Result detail

Divisional Exposure

Resi, 53%

Com, 24%

Infra, 23%

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change
Gross Revenue	1,547	1,557	1%
External Revenue	1,499	1,511	1%
EBITDA	85	65	(24)%
EBIT	53	33	(38)%
Trading Cash Flow	26	(71)	NM
EBIT margin %	3%	2%	(1)%pt
ROFE ¹ %	6%	4%	(2)%pt
Capex	26	33	27%
Cash Conversion ²	0%	(315)%	NM
Building Products Aus. EBIT	36	24	(33)%
Distribution Aus. EBIT	4	2	(50)%
Steel Aus. EBIT	13	8	(38)%
Divisional Costs	0	(1)	NM

¹ EBIT/Closing Funds

² Cash conversion = FCF/EBIT

Australia performance

- Revenue up 1% to \$1,557m, EBIT down 38% to \$33m
- EBIT impacted by:
 - Declining residential market, competitive activity
 - Higher input costs (\$10m currency) not able to be recovered in price
- Building Products Australia revenue increased 1% but EBIT declined by \$12m due to:
 - Higher input costs in Laminex Australia and one-off industrial action costs
 - Increased raw material costs and unfavourable foreign exchange rates in Iplex
 - Fire at Fletcher Insulation's Rooty Hill site
- Merger of Iplex and Rocla pipelines businesses
- Distribution Australia increased revenue by \$4m, EBIT decreased by \$2m:
 - Tradelink grew revenues through 7 new store openings
 - Challenging project sector
- Steel Australia revenue down 2%, EBIT \$5m lower due to raw material cost increases and unfavourable exchange rates not fully recovered through price

Outlook

- Continued competitive pressure against market backdrop
- Focus on achieving operating and overhead efficiencies



Formica and Roof Tile Group

Result detail

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change
Gross Revenue	558	581	4%
External Revenue	557	569	2%
EBITDA ¹	48	63	31%
EBIT ¹	26	37	42%
Trading Cash Flow	35	35	0%
EBIT ¹ margin %	5%	6%	1%pt
ROFE ² %	4%	6%	2%pt
Capex	28	39	39%
Cash Conversion ³	27%	(11)%	38%pt
Formica EBIT ¹	33	37	12%
Roof Tile Group EBIT ¹	(4)	3	NM
Divisional Costs EBIT ¹	(3)	(3)	0%

Sale of Formica and Roof Tile Group

- RTG divested 1 November 2018
- Formica sale announced 18 December 2018

Formica and Roof Tile Group performance

- Revenue up 4% to \$581m, EBIT up 42% to \$37m
- Formica revenues increased by 7% due to increase in North America and Asia supported by favourable currency translation
- Formica EBIT growth of 12% mainly from North America and Asia

Outlook

- Focus remains on driving operational earnings in Formica
- Sale completion expected by end FY19, driven by anti-trust approvals which are tracking to plan with 6 of 9 received so far

¹ Before significant items

² EBIT(before significant items)/Closing Funds

³ Cash conversion = FCF/EBIT (before significant items)



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Profit & Loss

Return to Group profitability following B+I losses

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change \$m
Revenue	4,889	4,754	(135)
Operating earnings before significant items	(322)	285	607
Operating margin (%)	(6.6)%	6.0%	
Significant items	-	(68)	(68)
Operating earnings (EBIT)	(322)	217	539
Funding costs	(63)	(62)	1
Tax	117	(61)	(178)
Non-controlling interests	(5)	(5)	0
Net earnings	(273)	89	362
Net earnings/(loss) before significant items	(273)	160	433
Earnings per share before significant items (EPS – cents)	(39.2)	10.4	49.6



Operating cash flow

Cash flows affected by working capital movements

NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change \$m
Operating earnings before B+I and significant items	309	285	(24)
Depreciation and amortisation	110	113	3
Provisions, cash impact of significant items and other	(17)	(57)	(40)
Trading cash flow before B+I and working capital movements	402	341	(61)
Residential and Development	9	(29)	(38)
Construction (ex B+I)	(7)	(21)	(14)
Debtors	93	85	(8)
Inventories	(61)	(96)	(35)
Creditors	(101)	(211)	(110)
Trading cash flow before B+I	335	69	(266)
B+I	(133)	(105)	28
Trading cash flow¹	202	(36)	(238)
Less: cash tax paid	(30)	(17)	13
Less: interest paid	(62)	(61)	1
Reported cash flows from operating activities	110	(114)	(224)
Free Cash Flow²	41	(192)	(233)

¹ Trading cashflow = EBITDA + Change in net working capital + provisions and other adjustments

² Free Cash Flow = Trading cashflow less capex less cash tax



Working capital metrics

Debtors well-controlled, additional focus being placed on inventory

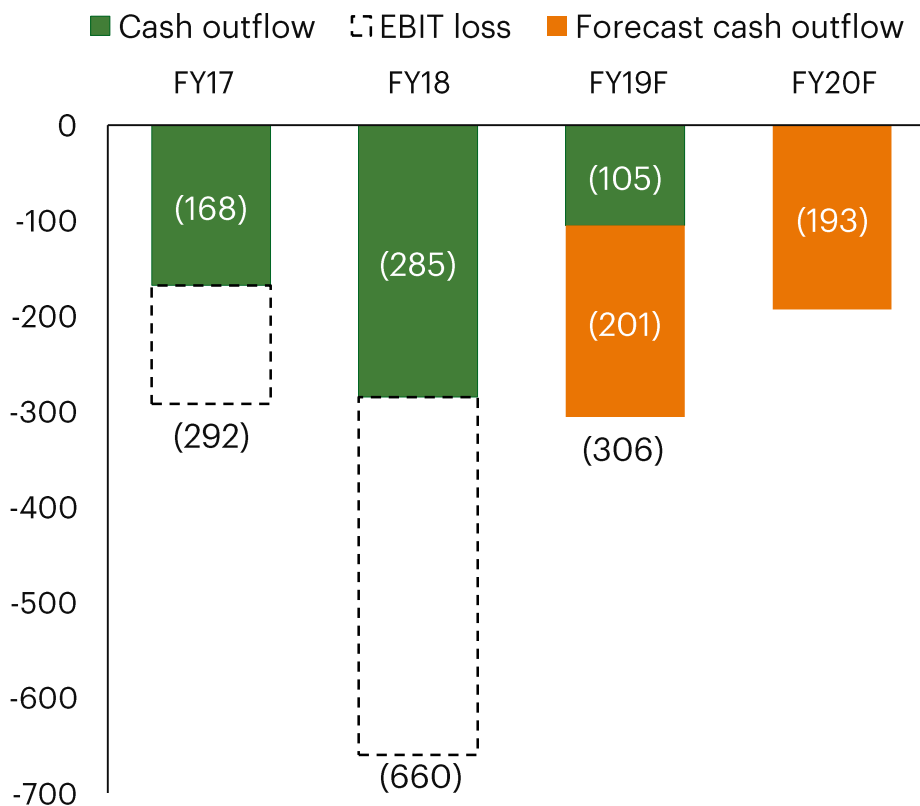
Key working capital metrics	Debtor Days			Inventory Days			Payables Days		
	As at Dec 2017	As at Dec 2018	Change (days)	As at Dec 2017	As at Dec 2018	Change (days)	As at Dec 2017	As at Dec 2018	Change (days)
Building Products	36.9	38.1	1.2	87.1	94.2	7.1	33.6	42.8	9.2
Distribution	38.5	36.7	(1.8)	47.5	47.8	0.3	43.2	39.1	(4.1)
Steel	44.9	47.1	2.2	93.9	96.7	2.8	39.2	32.4	(6.8)
Concrete	37.8	38.5	0.7	35.8	37.8	2.0	32.9	39.7	6.8
Australia	51.7	49.2	(2.5)	92.8	100.0	7.2	47.7	43.0	(4.7)
Materials and Distribution Total	44.5	43.3	(1.2)	74.6	79.4	4.8	42.7	40.6	(2.1)



Cash impact of B+I losses

Overall forecast unchanged, shift in outflows to FY20

Cash flow impact of B+I losses NZ\$m

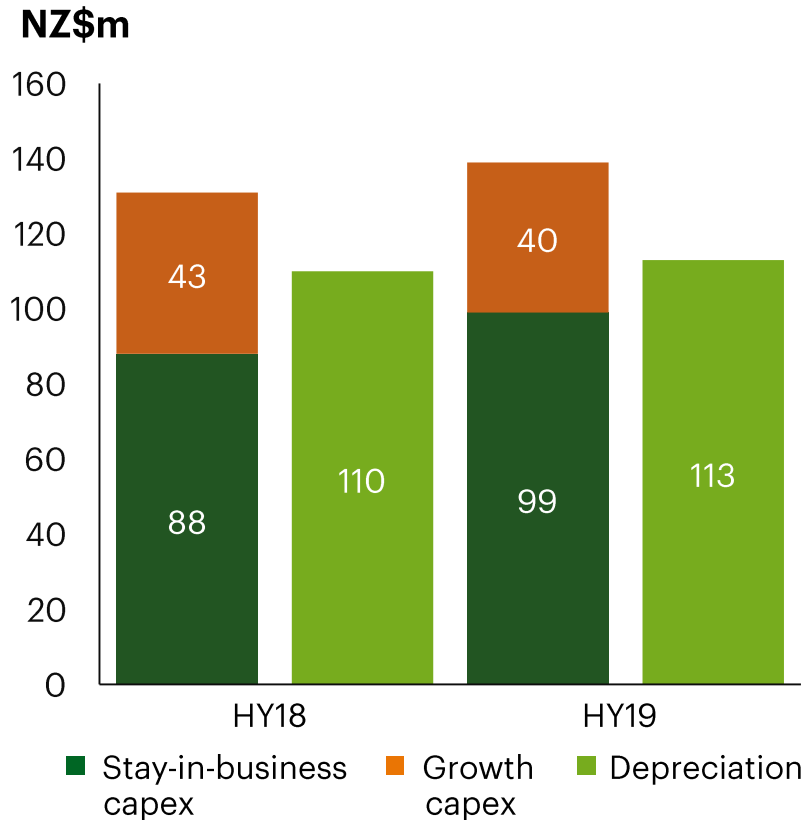


- 1H19 cash outflows \$105m
- Total \$394m forecast outflows remaining in 2H19 and FY20
- Shift in phasing, reflecting changing status of project completion:
 - FY19F outflows reduced by \$49m from \$355m to \$306m
 - FY20F outflows increased by \$49m from \$144m to \$193m



Capex and depreciation

Remain within guidance, capex 2H19 weighted



NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change
Stay-in-business	88	99	11
Growth	43	40	(3)
Total Capex	131	139	8
Acquisitions	-	10	10
Depreciation/ Amortisation	110	113	3

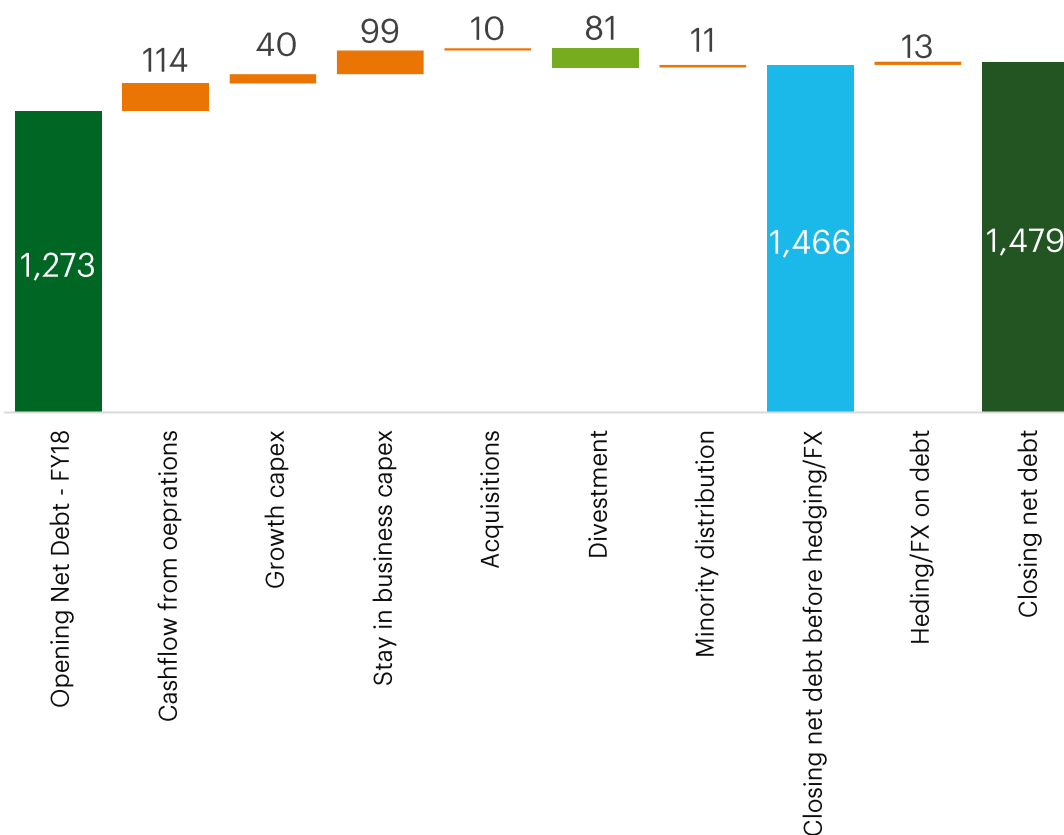
- FY19 capex expected to be in the range of \$275m - \$325m excluding Formica and RTG
- FY19 depreciation & amortisation is expected to be in the range of \$170m - \$190m excluding Formica and RTG



Net debt and leverage

Slightly higher net debt and leverage (ex B+I)

Net debt
NZ\$m



Leverage (Net Debt/EBITDA)	Jun 2018	Dec 2018
Group	4.8x	1.7x
Group ex B+I ¹	1.4x	1.6x

¹ Leverage ratio ex B+I excludes B+I impact from EBITDA only



Sale of Roof Tile Group and Formica

Expected net sale proceeds of \$1.2bn, \$68m significant items

Sale proceeds and loss on disposal NZ\$m	Roof Tile Group (completed)	Formica (forecast, subject to change on finalisation)
Sale Price	66	1,251
Debt-Like Items and Minority Interest	-	(57)
Transaction Costs and Provisions	(7)	(50)
Net sale proceeds	59	1,144
Carrying Value	(77)	(1,194)
Gain / (loss) on disposal	(18)	(50)

Significant Items NZ\$m	Dec 2018 6 months
Formica carrying value impairment	(37)
Formica transaction costs	(13)
RTG loss on disposal	(18)
Total significant items (pre tax)	(68)

- Roof Tile Group sold on 1 November 2018 for NZ\$66m to IKO
- Agreement for Formica sale on 18 December 2018 for NZ\$1,251m to Broadview Holding BV, 10.8x FY18 reported EBITDA
- Formica sale completion expected by end FY19, regulatory approvals on track (6 of 9 received so far)
- Formica classified as 'held for sale'
 - Subject to impairment test, resulting in \$50m significant items (subject to change on deal completion)
 - Depreciation ceases at 31 December 2018 resulting in \$20m increase in forecast FY19 Group EBIT

All stated at 31 December 2018 NZD/USD exchange rates

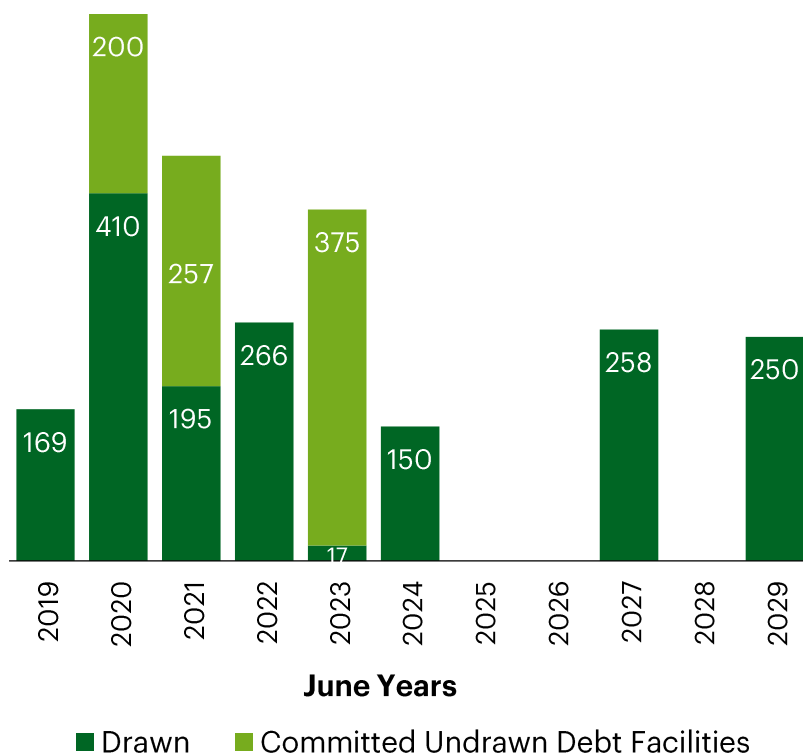


Debt maturity profile and funding costs

Debt reduction opportunities exist, FY19 funding costs lower

Funding and Maturity Profile

31 Dec 2018



- Undrawn credit lines of \$832m and cash of \$320m as at 31 Dec 2018
- Early repayment of NZ\$136m of long term debt at par in Oct 2018 (original maturity FY27)
- Maturity profile presents further debt reduction opportunities in FY19-FY20 including:
 - USPP NZ\$196m
 - Institutional Capital Notes NZ\$150m
- Average interest rate on debt is 6.3% (based on period end borrowings)
- Full year funding costs expected to be in the range of \$125m-\$135m (compared to previous guidance of \$145-\$155m)
- US\$400m of expected Formica proceeds hedged via a Forward Exchange Contract at 0.684



Dividend and capital structure

Interim dividend of 8cps, prudent balance sheet management

Dividend

- Interim dividend of 8.0 cents per share
- Payment date of Wednesday 10 April 2019
- Interim dividend unimputed for NZ taxation purposes and unfranked for Australian taxation purposes
- Dividend Reinvestment Plan will not be operative for this dividend
- Policy to pay dividends in the range of 50% to 75% of net earnings before significant items and having regard to available cash flow remains unchanged
- Interim / Final dividend phasing untypical compared to prior years due to phasing of FY19 operational cash flows and Formica proceeds expected in the second half

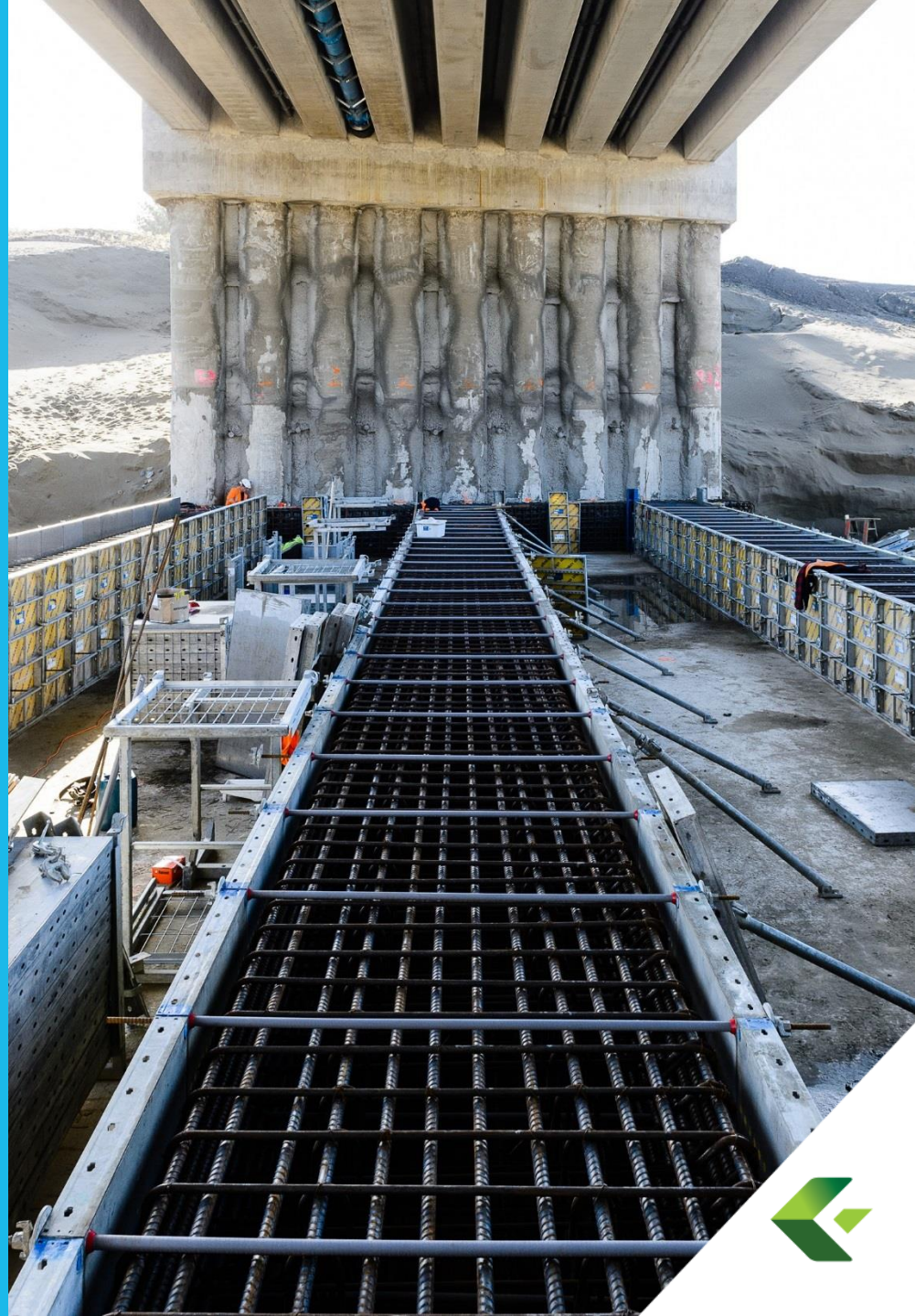
Capital Structure

- Formica proceeds expected late FY19
- Net Formica proceeds of \$1.1bn will materially de-lever balance sheet
- Several specific cash outflows across 2H19 and FY20
 - B+I projects: c\$400m
 - Residential investment: c\$100m
- Debt reduction opportunities of >\$350m
- Dividend reinstated; additional capital management not considered at this point

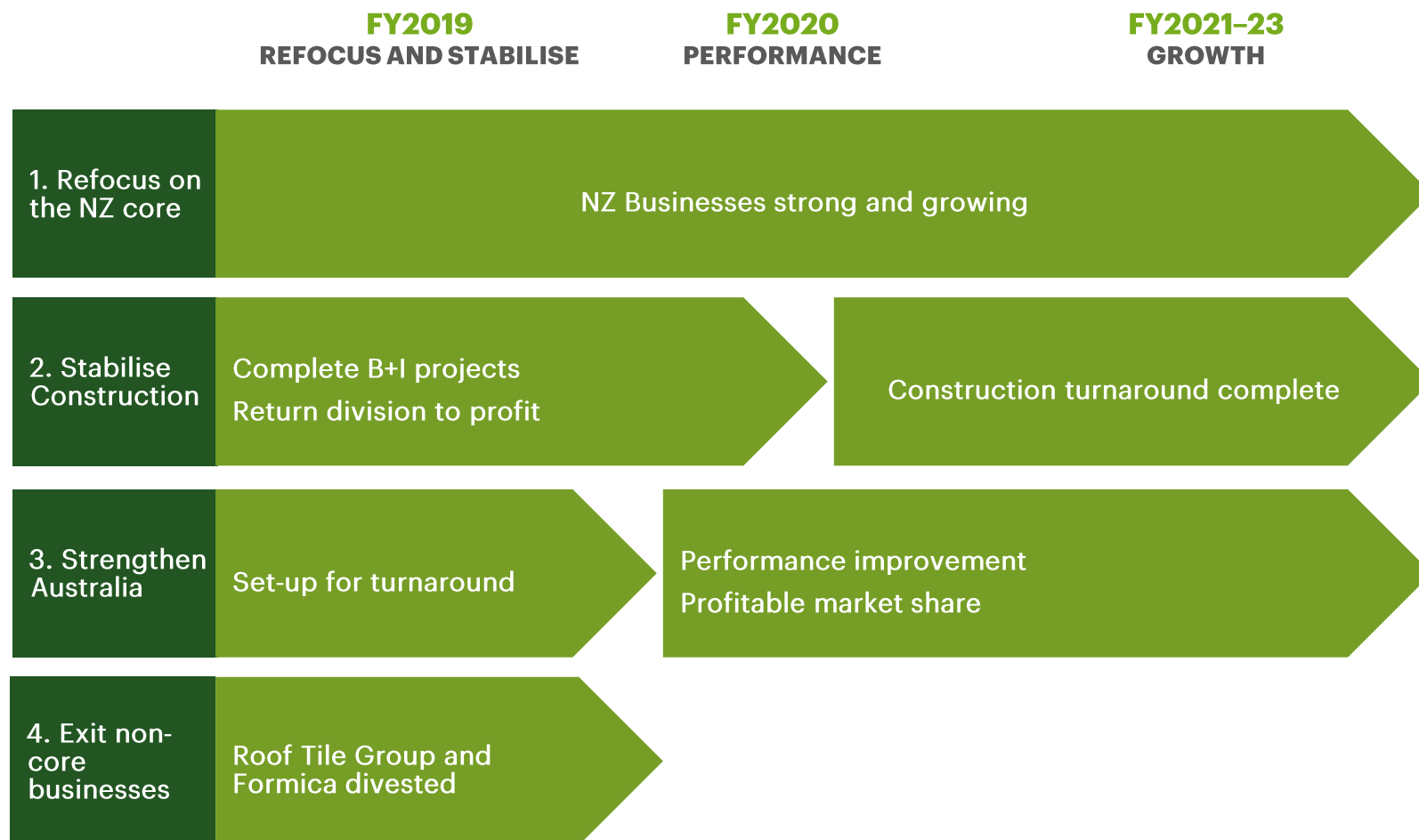


Content

1. Results Overview
2. Divisional Performance
3. Financial Results
- 4. Outlook**
5. Appendix



Strategy timeframes



Outlook for remainder of FY19

New Zealand

- Elevated residential sector expected to be broadly flat
- Commercial and infrastructure expected to remain stable
- Competitive materials and distribution market
- Increased input costs

Australia

- Sharp decline in residential and commercial activity with highly competitive market
- Increased input costs
- Infrastructure activity on Eastern Seaboard expected to remain robust

Guidance

- FY 2019 EBIT before significant items expected to be in the range of \$650m to \$700m; increase takes into account \$20 million relating to Formica 'held for sale' assets not subject to depreciation
- Formica sale expected to complete within FY19; guidance assumes a full year of Formica earnings



Content

- 1. Results Overview
- 2. Divisional Performance
- 3. Financial Results
- 4. Outlook

5. Appendix



Appendix

Company overview

Revenue: \$9.3 billion

People: 20,842



Full time
worker equivalent
1 = 1% of total #



External
Revenue
Rolling 12mth
to Dec18 (\$m)



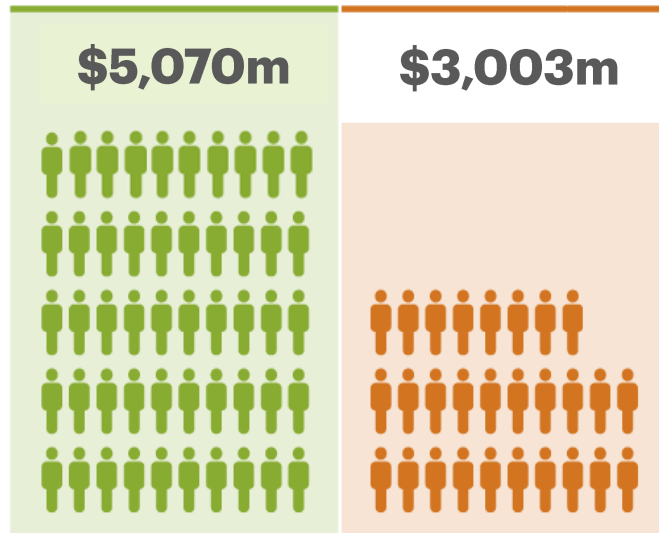
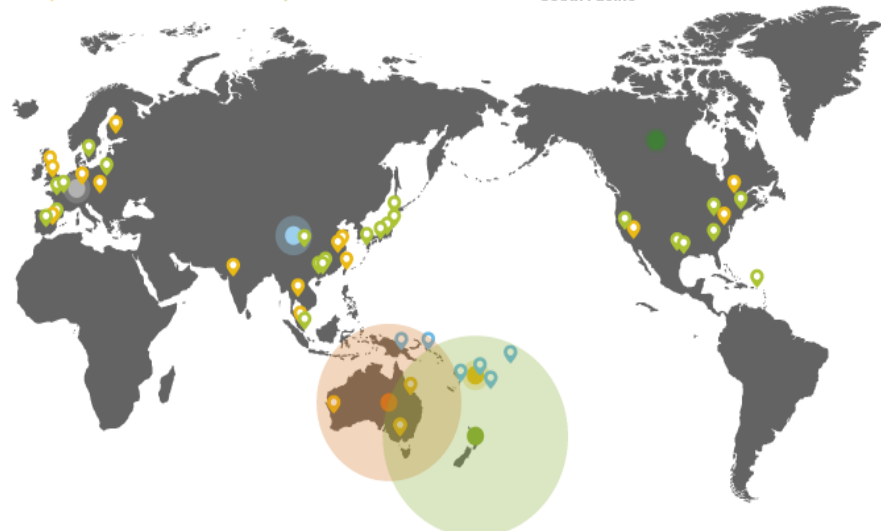
Manufacturing sites



Distributions centres



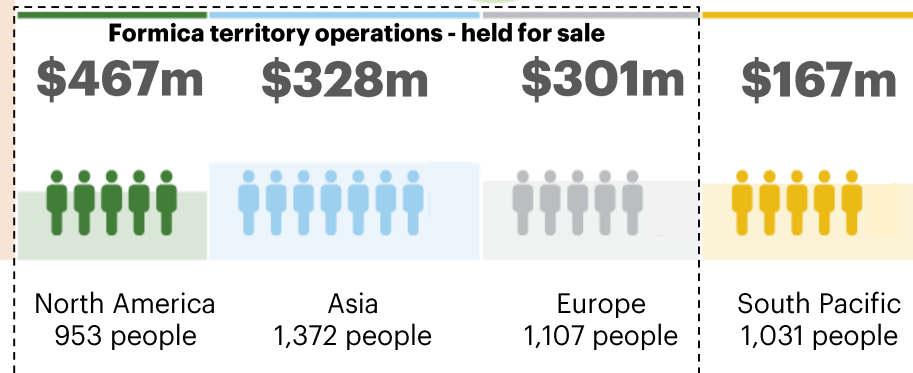
Fletcher Construction
South Pacific



New Zealand
10,539 people

Australia
5,840 people

79% of total workers are from Australasia



North America
953 people

Asia
1,372 people

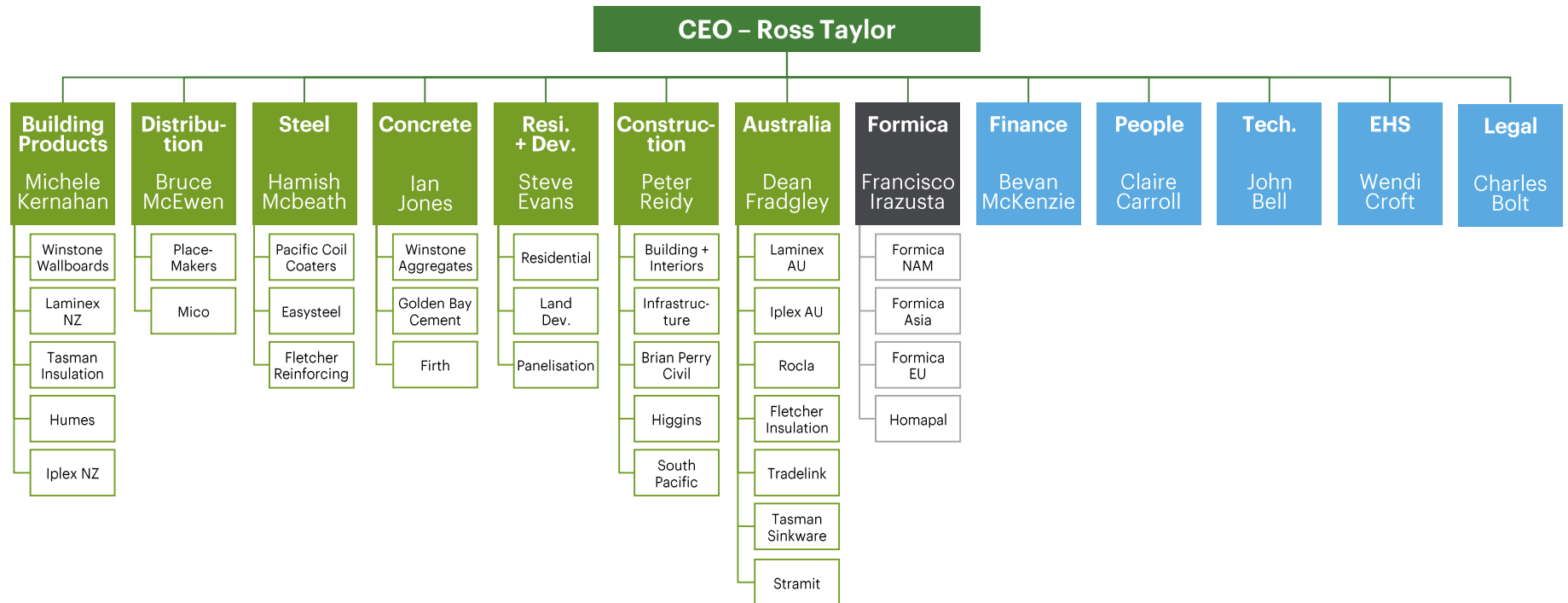
Europe
1,107 people

South Pacific
1,031 people



Appendix

Company structure



Key: ■ Operating Divisions ■ Exits ■ Supporting Functions



Industry context

Sectoral exposure, based on revenue

Revenue Exposure by Sector ¹	Residential (New + A&A)*	Commercial	Infrastructure / Other	TOTAL
New Zealand	10%	7%	6%	23%
Australia	14%	6%	5%	25%
Total Manufacturing	24%	13%	11%	48%
New Zealand	13%	4%	1%	18%
Australia	4%	2%	3%	9%
Total Distribution	17%	6%	4%	27%
New Zealand	5%	7%	12%	24%
Australia	0%	0%	0%	0%
Total Construction	5%	7%	12%	24%
New Zealand	28%	18%	20%	66%
Australia	18%	8%	8%	34%
Fletcher Building Total	46%	26%	28%	100%

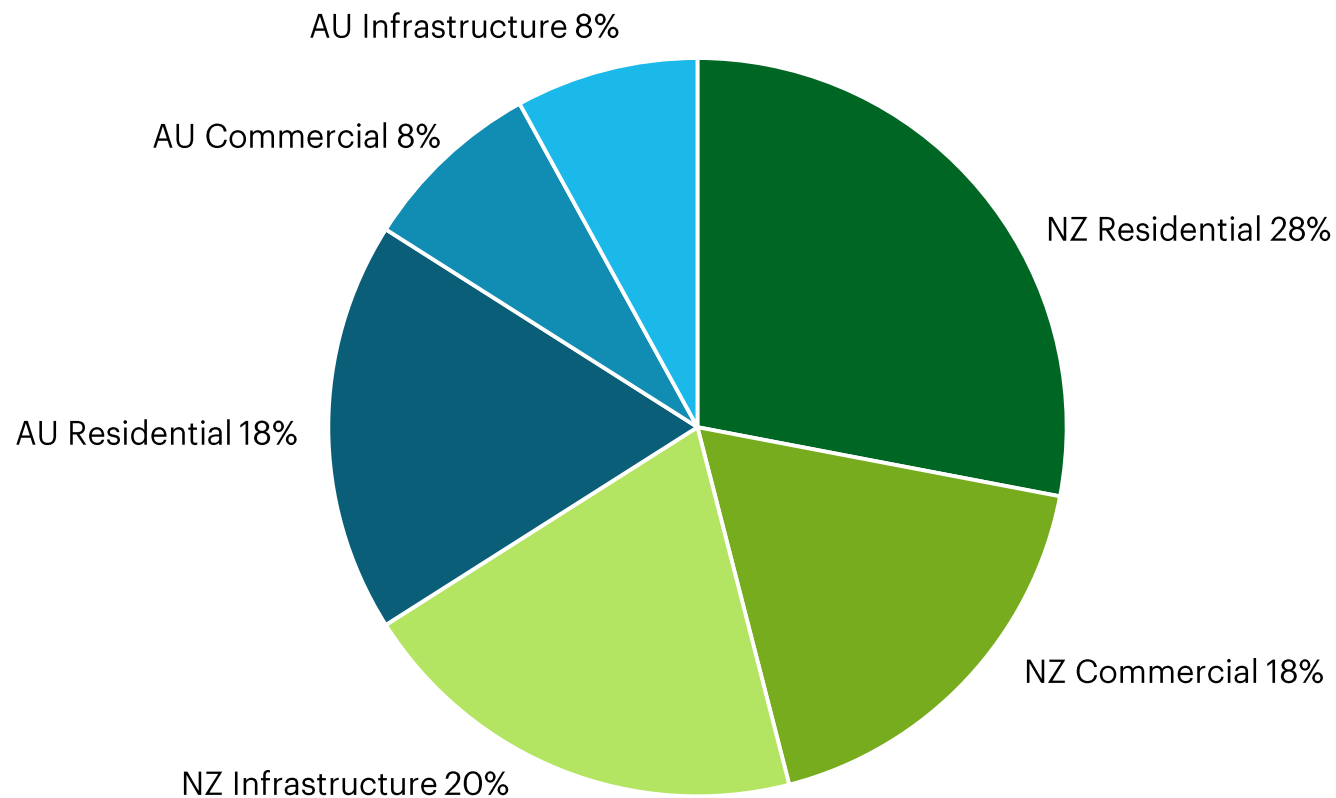
¹ Based on 1H19 total revenue including internal sales. Excludes Formica and RTG and businesses sold or closed during the year *A&A – Additions and Alterations



Industry context

Revenue exposure to markets

Total Revenues by Market Exposure¹

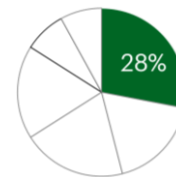


¹ Excludes Formica and Roof Tile Group, revenues from the South Pacific region are included in NZ

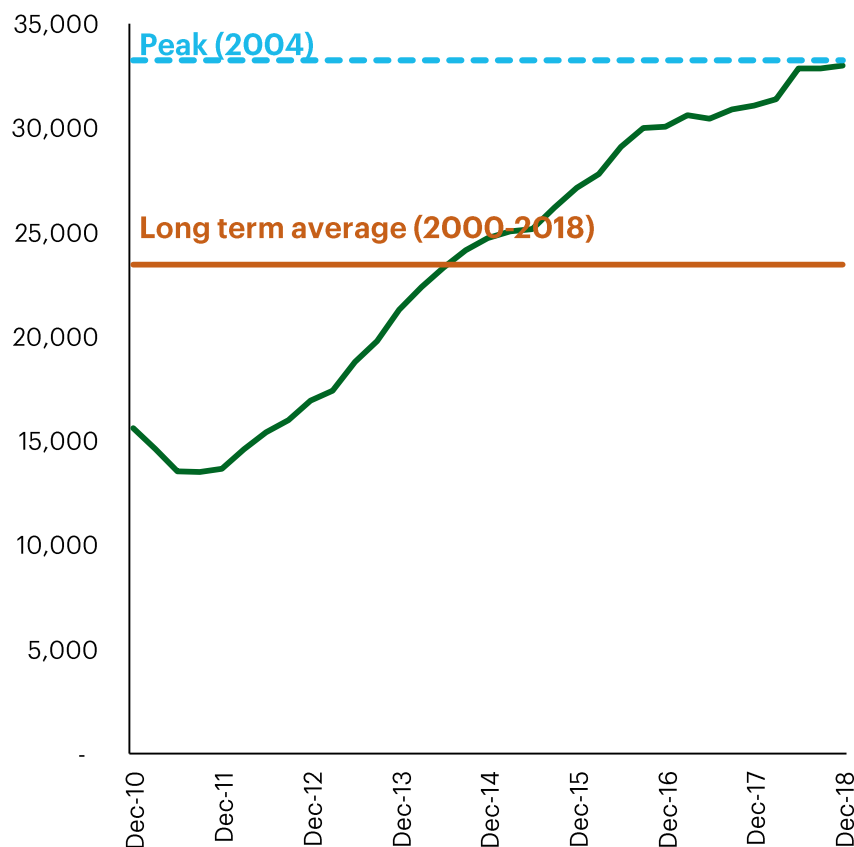


Industry context

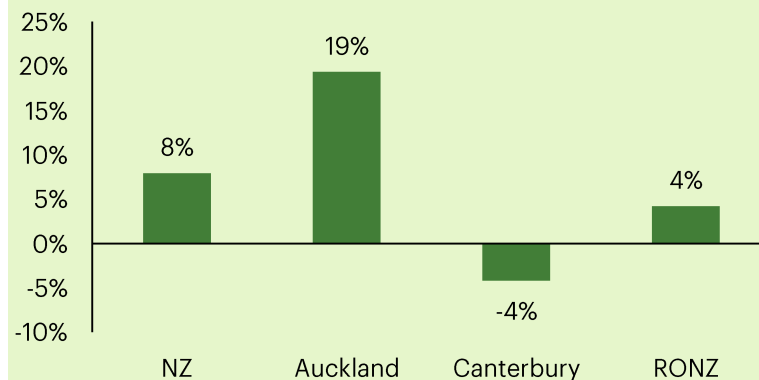
NZ Residential



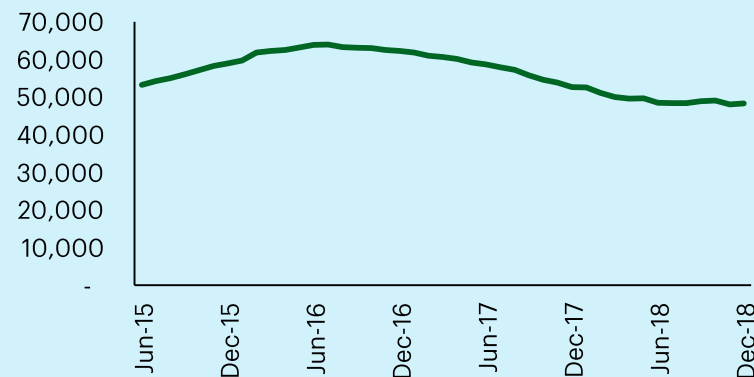
Total Residential Consents¹



NZ Residential Consents Change YoY



Net Migration Rolling 12 Month



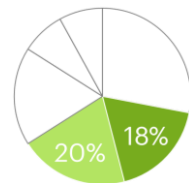
Source: Statistics NZ, Infometrics

¹ Twelve months rolling

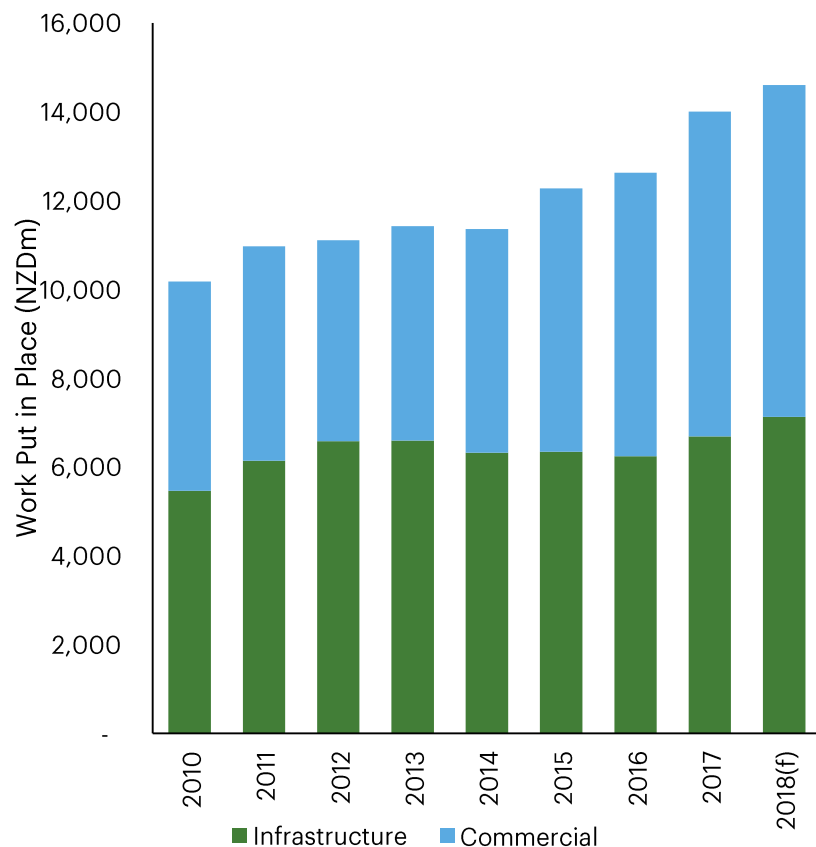


Industry context

NZ infrastructure and commercial



NZ Infrastructure and Commercial Work Put in Place



NZ Infrastructure and Commercial Work Put in Place Change Year-on-Year



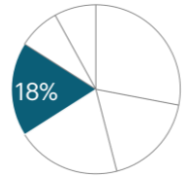
Source: Infometrics – Calendar years

Source: Infometrics – Calendar years

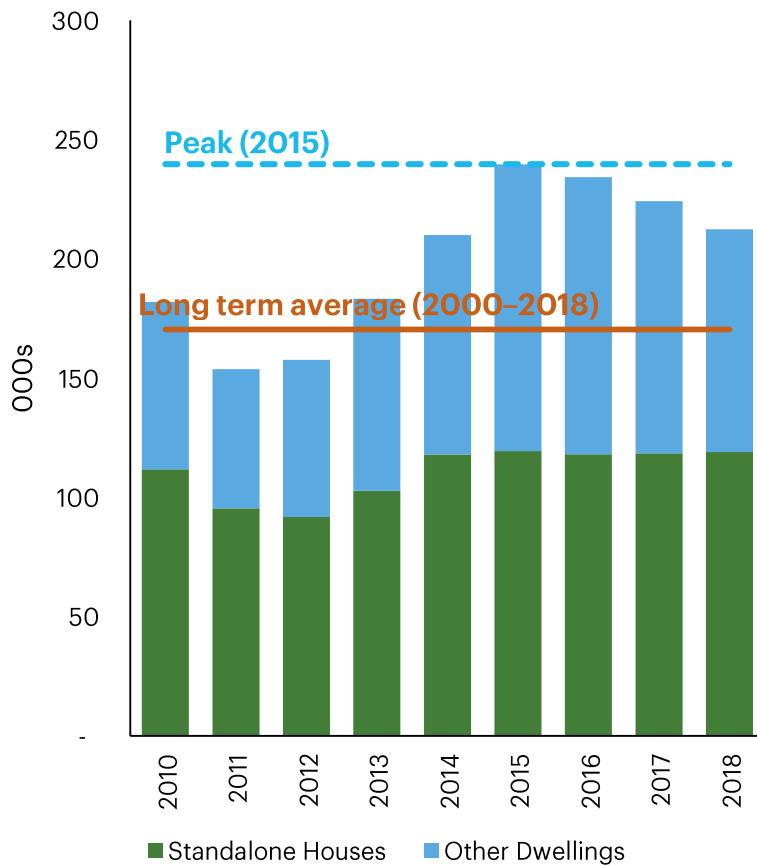


Industry context

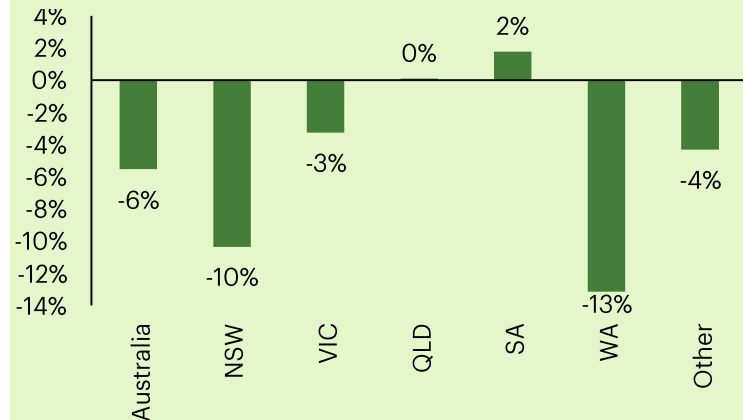
AU residential



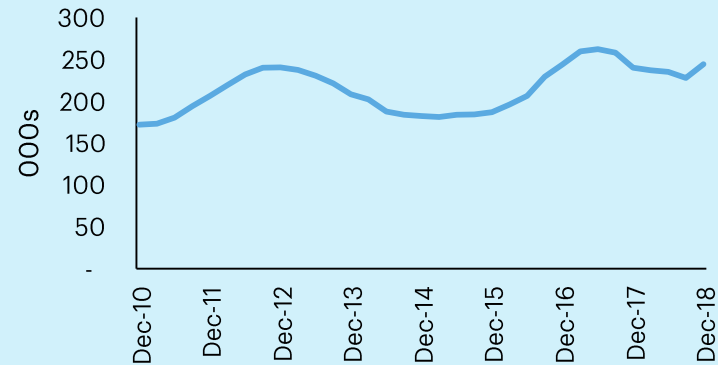
Australian Residential Approvals



Australian Residential Approvals Growth Change Year-on-Year



Australian Net Migration Rolling 12 Month



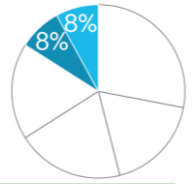
Source: BIS – Calendar years

Source: BIS – Financial years

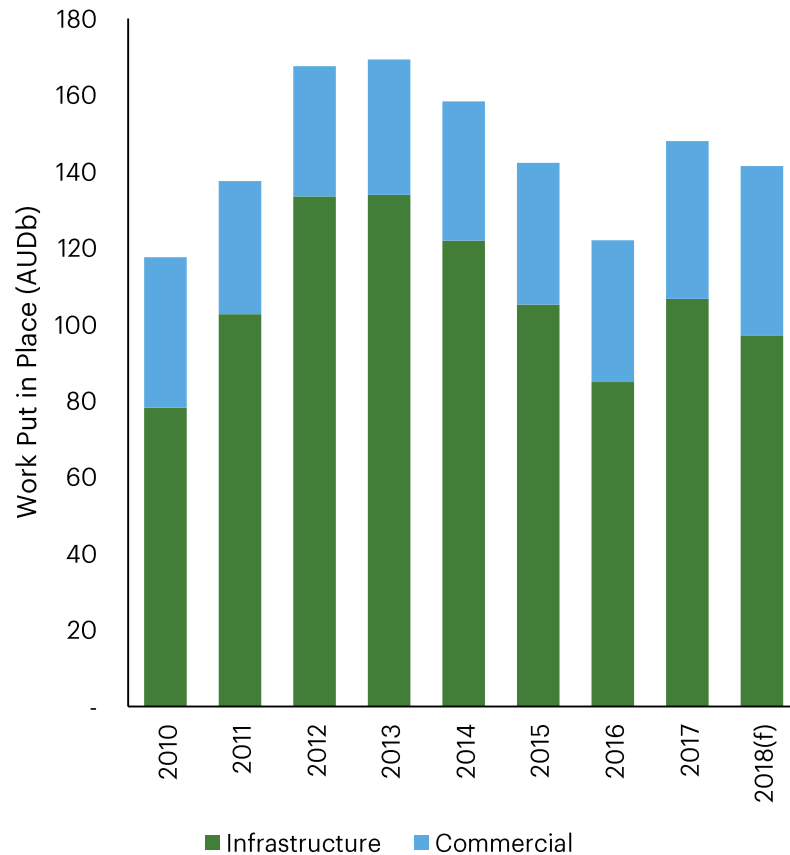


Industry context

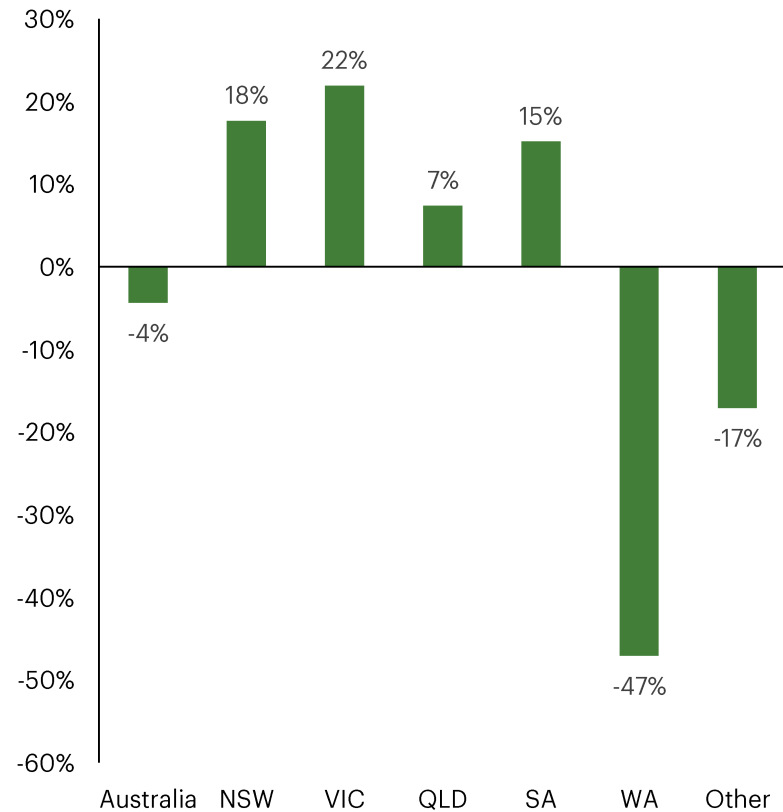
AU infrastructure and commercial



Australian Infrastructure and Commercial Work Put in Place



Australian Infrastructure and Commercial Work Put in Place change Year-on-Year



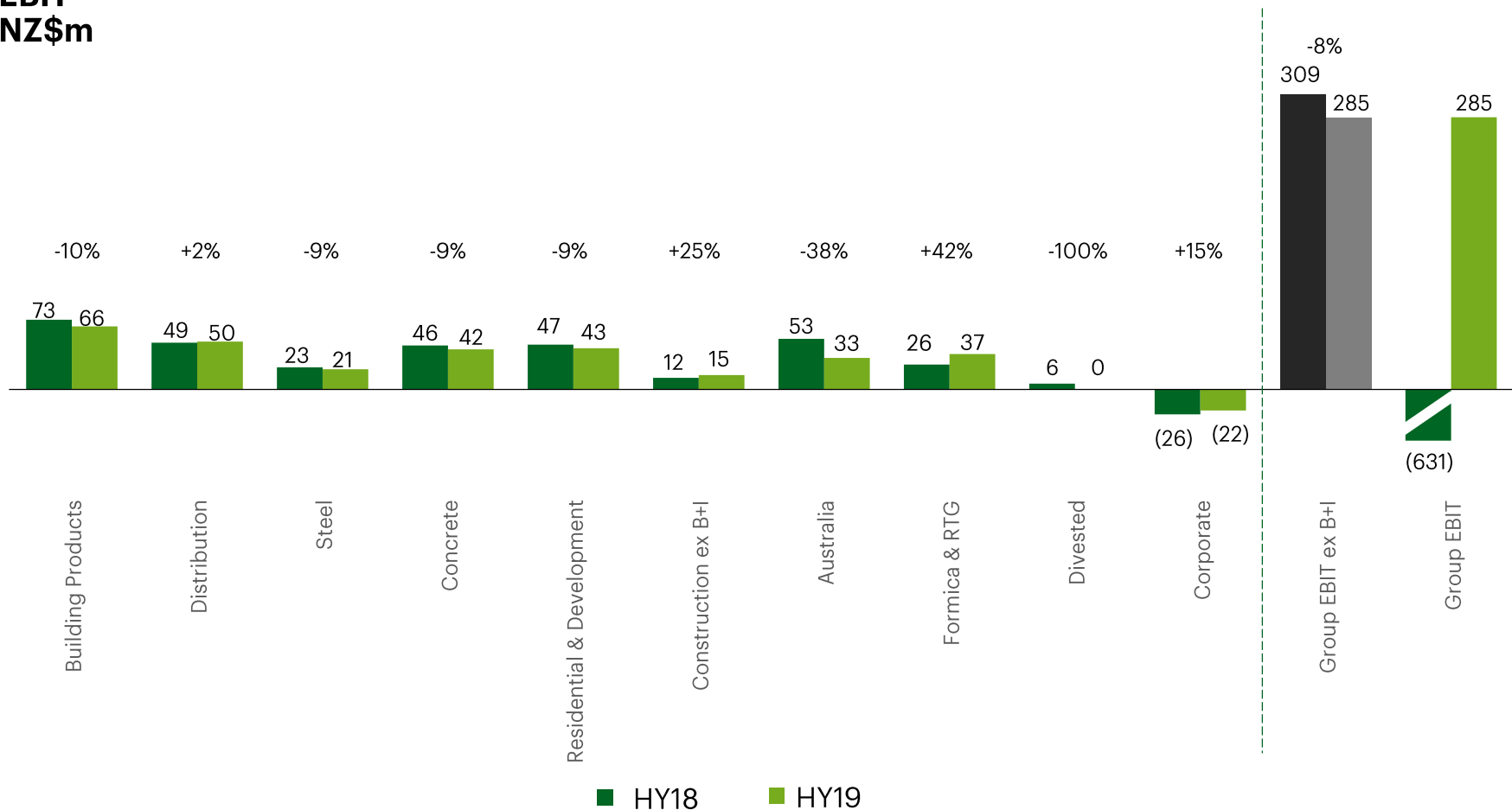
Source: BIS Shrapnel – Calendar years



Results overview

EBIT by division

EBIT¹
NZ\$m



¹ Before significant items



Financial results

Working capital movements

Net inflow from/(investment in) working capital NZ\$m	Dec 2017 6 months	Dec 2018 6 months	Change \$m
Building Products	(3)	(15)	(12)
Distribution	5	(4)	(9)
Steel	(1)	(43)	(42)
Concrete	(24)	(17)	7
Residential & Development	9	(29)	(38)
Construction	491	(124)	(615)
Australia	(53)	(128)	(75)
Formica and Roof Tile Group	(5)	(31)	(26)
Divested businesses	(2)	0	2
Corporate	14	16	2
Total Working Capital Movements	431	(375)	(806)



Financial results

Local currency tables

Revenue	Gross revenue			External revenue		
	Dec 2017 6 months	Dec 2018 6 months	Change %	Dec 2017 6 months	Dec 2018 6 months	Change %
Residential and Development						
New Zealand (NZ\$m)	198	238	20%	198	238	20%
Australia (A\$m)	37	12	(68)%	37	12	(68)%
Construction						
New Zealand (NZ\$m)	930	788	(15)%	886	764	(14)%
Rest of World (US\$m)	51	52	2%	49	52	6%
Australia						
New Zealand (NZ\$m)	1	1	NM	1	1	NM
Australia (A\$m)	1,422	1,441	1%	1,377	1,398	2%
Rest of World (US\$m)		1	NM	1	1	NM
Formica and Roof Tile Group						
New Zealand (NZ\$m)	14	10	(29)%	22	16	(27)%
Australia (A\$m)	-	-	-	-	-	-
Rest of World (US\$m)	389	383	(2)%	383	371	(3)%



Financial results

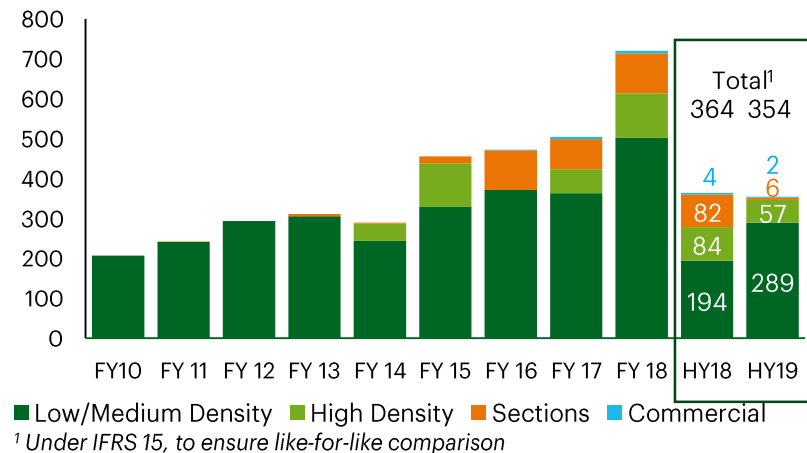
Local currency tables

Operating earnings before significant items	Dec 2017 6 months	Dec 2018 6 months	Change %
Residential and Development			
New Zealand (NZ\$m)	34	37	9%
Australia (A\$m)	12	6	(50)%
Construction			
New Zealand (NZ\$m)	(629)	(5)	NM
Rest of World (US\$m)	7	13	86%
Australia			
New Zealand (NZ\$m)	-	-	-
Australia (A\$m)	47	31	(34)%
Rest of World (US\$m)	-	-	-
Formica and Roof Tile Group			
New Zealand (NZ\$m)	-	1	NM
Australia (A\$m)	(3)	(2)	(33)%
Rest of World (US\$m)	21	26	24%

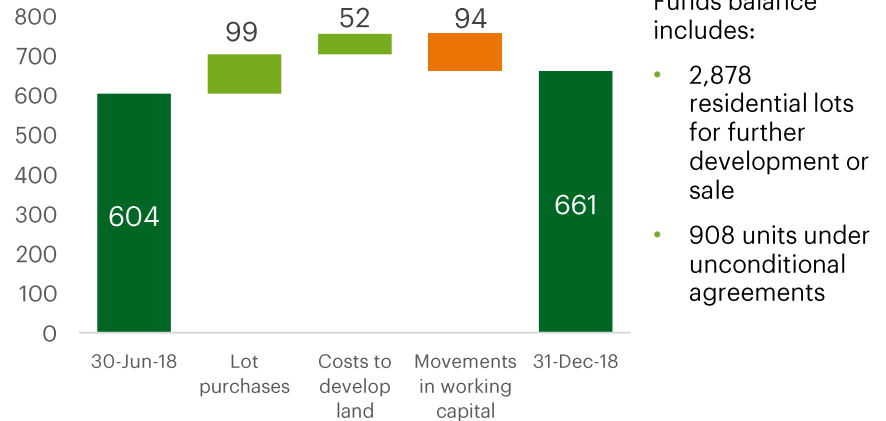


New Zealand Residential Performance and trends

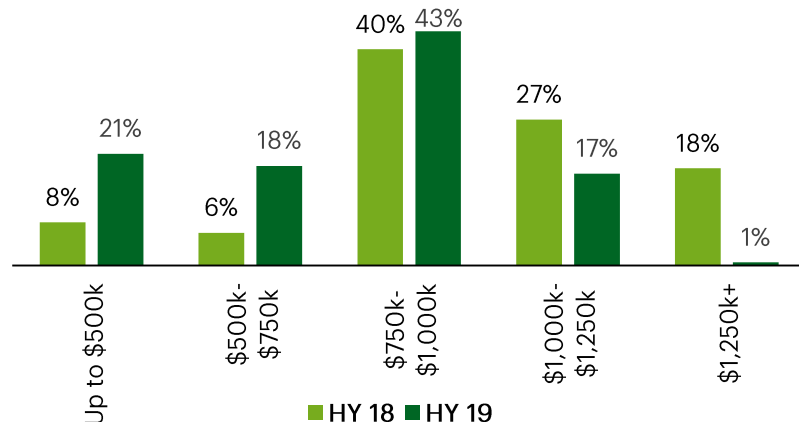
Residential units sold



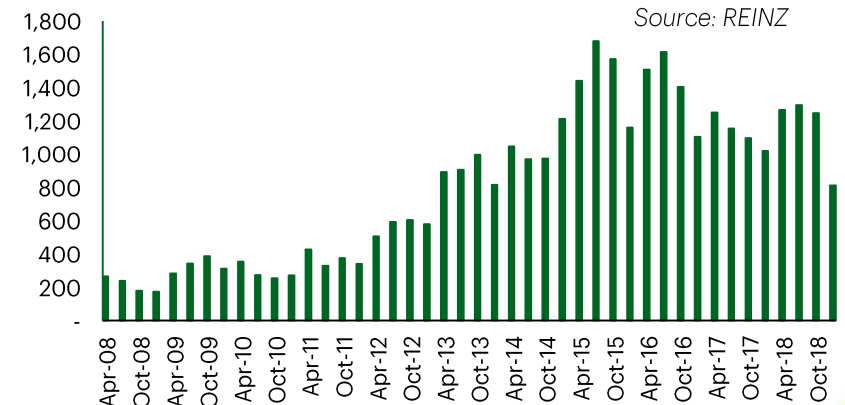
Funds employed \$m



Distribution of sales prices for HY19 residential sales



Sales of Auckland houses in \$800k - \$1m price band



Note: Last bar in chart is November and December 2018 (ie two months)



Fletcher Building

Half Year Results to 31 December 2018

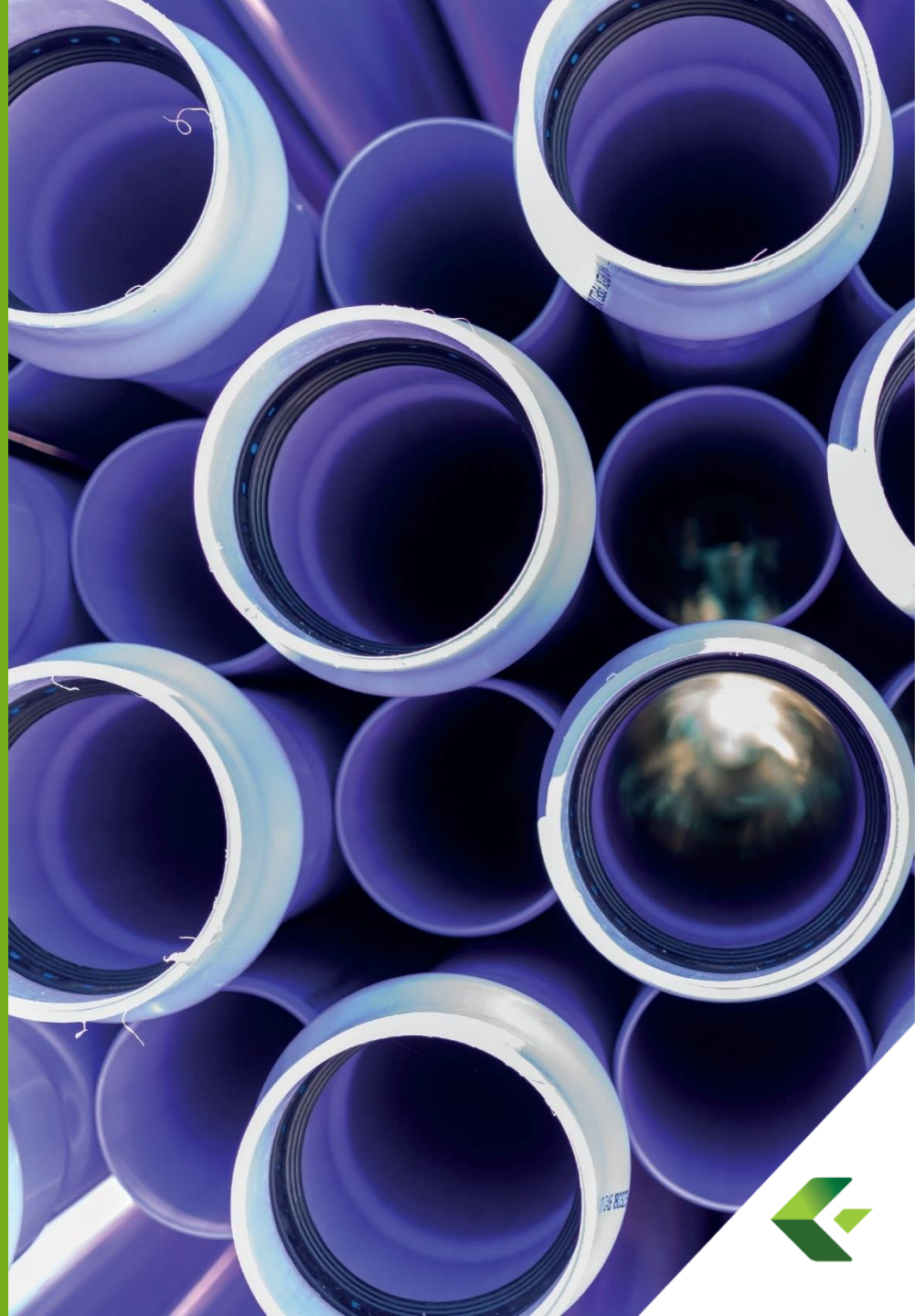
ROSS TAYLOR

— Chief Executive Officer

BEVAN MCKENZIE

— Chief Financial Officer

20 February 2019



PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT

FLETCHER BUILDING LIMITED

Results for announcement to the market

Reporting period	6 Months to 31 December 2018
Previous reporting period	6 Months to 31 December 2017

Half year ended 31 December 2018

	Amount NZ\$million	Percentage change
Revenue from ordinary activities	4,754	-3%

Profit from ordinary activities after tax attributable to security holders	89	-133%
---	----	-------

Net profit attributable to security holders	89	-133%
--	----	-------

	Amount per security	Imputed amount per security
Interim dividend	8 cents	N/A

Record date	22-Mar-19
Dividend payment date	10-Apr-19

Comments	Refer News Release
-----------------	--------------------

PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT
For Half Year Ended 31 December 2018

(referred to in this report as the "current year")

2.1. Preliminary half annual report on results for the half year ended 31 December 2018 (including the comparative results for the half year ended 31 December 2017) in accordance with Listing Rule 10.3

The amounts as presented have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand which is the New Zealand equivalent to International Financial Reporting Standards (NZIFRS). They also comply with International Financial Reporting Standards. The amounts presented are based on unaudited accounts.

2.3 (a) Statement of Financial Performance

Refer to Financial Statements.

2.3 (b) Statement of Financial Position

Refer to Financial Statements.

2.3 (c) Statement of Cash flows

Refer to Financial Statements.

2.3 (d) Dividends

Dividends declared	
	Amount per per security
Interim dividend, payable 10 April 2019:	NZ 8.0 cps
Record date for determining entitlement to the dividend:	Friday 22/03/19
There are no New Zealand imputation credits attached to this dividend.	
There are no Australian franking credits attached to this dividend.	
The Dividend Reinvestment Plan will not be operative for this dividend payment.	
Dividends recognised or paid	
There was no dividends recognised or paid during the period.	

2.3 (e) Dividend reinvestment plan

N/A

2.3 (f) Net Tangible Assets per security

Net tangible assets per ordinary security (NZ\$)

Dec 2018	Dec 2017
2.95	2.20

2.3 (g) Control of Entities gained or lost during year

N/A

2.3 (h) Associates and joint ventures

Fletcher Building has an interest in the following principal associates / joint ventures:

Name of Associate / Joint Venture	Percentage of ownership interest (ordinary shares, units, etc)	
	Dec 2018	Dec 2017
Altus NZ Limited	50.0%	50.0%
Hexion Australia Pty Ltd	50.0%	50.0%
Sims Pacific Metals Limited	nil	50.0%
Wespine Industries Pty Limited	50.0%	50.0%
Dongwha Pattina NZ Limited	nil	20.0%

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant
details on additional pages)

Full name of Issuer **Fletcher Building Limited**

Name of officer authorised to
make this notice

Charles Bolt

Authority for event,
e.g. Directors' resolution

Directors resolution

Contact phone
number

09 525 9188

Contact fax
number

09 525 9030

Date

20 / 02 / 2019

Nature of event
Tick as appropriate

Bonus
Issue

☐

If ticked,
state whether:

Taxable

☐

/ Non Taxable

☐

Conversion

☐

Interest

☐

Rights Issue
Renounceable

☐

Rights Issue
non-renounceable

☐

Capital
change

☐

Call

☐

Dividend

☒

If ticked, state
whether:

Interim

☒

Full
Year

☐

Special

☐

DRP Applies

☐**EXISTING securities affected by this**

If more than one security is affected by the event, use a separate form.

Description of the
class of securities

853,347,141 Ordinary Shares

ISIN

NZFBUE0001S0

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the
class of securities

ISIN

If unknown, contact NZX

Number of Securities to
be issued following event

Minimum
Entitlement

Ratio, e.g
① for ②

for

Conversion, Maturity, Call
Payable or Exercise Date

Treatment of Fractions

Enter N/A if not
applicable

Tick if
pari passu

☐

OR
provide an
explanation
of the
ranking

Strike price per security for any issue in lieu or date
Strike Price available.

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security
(does not include any excluded income)

\$0.080000

Source of
Payment

Retained Earnings

Excluded income per security
(only applicable to listed PIEs)

Currency

NZD

Supplementary
dividend
details -
NZSX Listing Rule 7.12.7

Amount per security
in dollars and cents

Date Payable

Total monies

\$68,267,771**Taxation**

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus
issue state strike price

\$

Resident
Withholding Tax

\$0.026400

Imputation Credits
(Give details)

Foreign
Withholding Tax

\$0.012000

FWP Credits
(Give details)

Timing

(Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm

For calculation of entitlements -

22 March, 2019**Application Date**

Also, Call Payable, Dividend /
Interest Payable, Exercise Date,
Conversion Date. In the case
of applications this must be the
last business day of the week.

10 April, 2019**Notice Date**

Entitlement letters, call notices,
conversion notices mailed

Allotment Date

For the issue of new securities.
Must be within 5 business days
of application closing date.

OFFICE USE ONLY

Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

