

Annual Shareholders' Meeting documents and FY20 guidance

Auckland, 28 November 2019: Fletcher Building is today holding its 2019 Annual Shareholders' Meeting (ASM) in Auckland. Attached are the:

- Chair's address
- Chief Executive's address
- ASM presentation

Included in the Chief Executive's address is a year to date trading update for the group and guidance for expected FY20 EBIT before significant items.

Trading to date: Fletcher Building's New Zealand core divisions (Building Products, Concrete, and Distribution) remain on track against a solid market backdrop. Activity for residential and commercial finishing trades remains strong, supporting good performance in plasterboard, insulation and laminates. Activity for civil, infrastructure and starting trades is trending slightly lower as expected, leading to a slight easing in demand for concrete and pipes. In addition, the steel market remains highly competitive.

In the Residential and Land Development division, demand for housing in key target segments remains strong and prices remain supportive. In Construction, Higgins experienced a slower start to the year due to a wet first quarter. Based on information currently available, there is no change to the B+I provisions announced in February 2018.

In Australia, the Division's cost-out programme is progressing to plan and there is good turnaround momentum in Laminex and Fletcher Insulation. Intense competitor activity in the declining residential market is placing ongoing pressure on price and margin in Stramit and Tradelink, while infrastructure project delays are expected to have some near-term impact on Iplex and Rocla in FY20.

FY20 Guidance: Fletcher Building expects EBIT before significant items for FY20 to be in the range of \$515 million to \$565 million. In FY19 EBIT before significant items (after adjusting for discontinued operations) was \$549 million.

Further details are provided in the Chair and Chief Executive's addresses and presentation. A live recording of the meeting will also be broadcast on the Company's website <https://fletcherbuilding.com/investor-centre/reports-presentations-and-webcasts/>.

#Ends

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Thursday 28 November 2019

FLETCHER BUILDING LIMITED
2019 Annual Shareholders' Meeting
Chair's Address

FY2019 Results at a glance

I would now like to recap our high level financial performance for the FY19 year on slide 5. Overall we delivered a solid result. We returned to profits, ended the year with a strong balance sheet and importantly we reinstated dividends.

Revenue for the year was \$9.3 billion. Net Earnings were \$164 million. These were impacted by \$234 million of significant items and there were two main components to these: \$140 million of write offs associated with the sale of our international businesses - Formica and RTG; and around \$78 million of costs associated with the intervention and reset of the Australian businesses.

EBIT was \$631 million and was within our guidance range. The prior year included the B+I losses and after adjusting for this, profits were lower this year. The main drivers for this came from three areas: the divestment of the SIMS and Dongwa businesses late in FY18; the impact of competitor activity in the Steel sector; and the lower earnings from our Australian division as the impacts of the Residential slow down, input costs and mixed operational performance hit our businesses. These were partly but not completely offset by a better result from Formica and lower corporate costs.

A key priority in FY19 was to materially strengthen the Group's balance sheet and provide a robust platform for the execution of the go-forward strategy. Largely as a result of the highly successful Formica divestment, our Group net debt decreased from \$1.3 billion at June 2018 to \$325 million at June 2019.

Overall this provides a really strong foundation for growth. The Group will continue to maintain a prudent approach to balance sheet management as we execute the strategy. Meanwhile our return on funds at 11.8% was lower than we target, and this was mainly a reflection of the underperformance of our Australia businesses. Finally on this slide, cash flows from operations were \$153 million and reflected a strong second half performance.

Returns to shareholders: dividend reinstated, share buyback underway

Turning now to shareholder returns. We are pleased to have reinstated dividends this financial year. The Board paid a total dividend of 23 cents per share for the year. This was comprised of a final dividend of 15 cents and an interim 8 cent dividend. Our dividend policy remains unchanged, which is to pay out 50-75% of net profit (before significant items), having regard to available cash flows in the period.

In sizing the dividend for the year, the Board considered the Group's strong financial position, the efficiency of returns to shareholders, and weighted the dividend to the final payment due to the timing of receipt of the Formica proceeds. The Group does not currently have tax credits available and so the dividends were unimputed and unfranked. The Dividend Reinvestment Plan was also not operative.

In September this year we commenced our on-market share buyback. The completion of the Formica transaction this year materially de-levered the Group's balance sheet. We are retiring all debt where it is sensible to do so, and we will only allocate capital to investment opportunities that make strategic sense. After careful consideration, we decided that there was incremental capital available to be distributed with the most optimal way being via a share buyback. This will deliver value to shareholders and drive accretion in earnings per share.

The Group intends to redistribute up to \$300 million to shareholders through this programme. So far, we are making excellent progress in the programme, with a total value of \$106 million of shares already acquired.

FY2019 performance – continuing operations

Slide 7 covers the 'go forward' business net of the divested businesses. In the New Zealand based divisions total revenues were \$5.4 billion, up 3%. EBIT was \$532 million versus a loss of \$97 million the prior year, which included the B+I losses.

In Australia, we had a tough year. While revenue was maintained, earnings halved. The sharp decline in the residential market resulted in much greater competitor intensity across the businesses, which limited the ability to achieve any significant price increases through the year. Margins were further impacted by increased input costs.

Against this backdrop we made a decisive intervention to materially reset the cost base as well as continuing to selectively invest where opportunities present themselves. Lifting the performance of our Australian business is a key area of focus of Management and the Board.

FY2019 balanced scorecard

Before speaking to slide 8, I wish to express my sincere condolences on behalf of the Fletcher Building Board and the entire company, to the families and friends of the five men we tragically lost during the year.

The death of one of our people is by far the worst thing that can be experienced as a Chair, Director, Executive member, or for anyone working in the business. But it pales in comparison to what is experienced by those who knew these men best. To the families, friends and colleagues of Andrew, Chandra, Dave, Haki and Soul, I cannot express enough our deepest sympathies.

As a result of these events we have looked even harder at our safety programme, Protect. The Board and Executive have resolved to carry out a business-wide reset of safety across the entire Fletcher Building business. This has already commenced and is known as the Protect Reset. This programme of work has the full support and oversight of the Board and Executive, and is of the highest priority.

Turning now to the detail on slide 8, and our balanced scorecard. This scorecard outlines the non-financial metrics that are most important to our business and by which we will judge our performance. Starting from the top left, safety is the most critical of them all. As I have outlined,

we have a considerable programme of work through the Protect Reset to undertake in FY20 and beyond. The only safety performance we will ever be happy with is zero-harm. Pleasingly our employee engagement is continuing to rise and now sits at 71%, in line with our peers. Our medium-term target is to get this to best practice and above 80%. Our Carbon emission intensity reduced. And we continue to see ongoing improvement in our Customer net promoter scores. We want to drive these to best in class levels across all our businesses over the medium term.

Sustainability Strategy

Turning to slide 9, I would now like to share with you our new Sustainability Strategy. This is a critical component of how we will deliver long-term, and sustainable growth to our shareholders.

Our sustainability strategy focuses on six key priorities. We agreed these priorities by looking at what is most important to our business and to our stakeholders, such as our customers and communities, as well as where we can have the most impact as a business.

Starting on your left is people and communities. This is where our Protect Reset sits, as well as the initiatives we have underway to improve diversity and inclusion in our businesses, develop our people, and build strong relationships with our communities. By the end of this financial year we will have a comprehensive gender pay parity plan in place.

Next we have a focus on improving the transparency of our environmental, social and governance reporting, including the implementation of integrated reporting in the coming years. Becoming the leader in making sustainable building products is critically important and will see us pursue sustainability product certifications across our portfolio. This will not only reduce the environmental impact of our products, but give them a competitive advantage in the marketplace.

The careful management of our resources and emissions is our next key priority. We understand the important role business plays in supporting the efforts of Governments and communities to reduce the impacts of climate change. For our part, we have committed to science-based targets for reducing our carbon emissions. In addition to this, we have set reduction targets for water use and waste.

Next, we will partner with our supply chain to improve reporting and deliver more sustainable outcomes. We will continue our work against modern slavery and to improve human rights in our supply chain. And last but not least, we will ensure we are building healthy homes and sustainable infrastructure – including meeting a consistent sustainability standard for our construction projects.

The improvements we are making on sustainability have recently been recognised with Fletcher Building being included in the Dow Jones Sustainability Australia index for the first time. We want our business to thrive and we are committed to playing our part in a sustainable future and we believe this will create long term value for you, our shareholders.

Governance

Looking now at Governance on Slide 10. The Board was reset in September last year. We are all extremely proud of Fletcher Building and its long history and I am pleased with the momentum and progress we made through this year. We worked through a solid agenda with some highlights which included:

- Strengthened governance, including revitalised delegated financial authorities, the implementation of commercial golden rules and a policy refresh.
- Comprehensive induction of the new Board and the re-organisation and composition of board committees.
- Adoption of the new NZX listing rules and roll out of Board and management training on the new regime. Today we have a special resolution on the new constitution which will align with the new listing rules.
- And as I have already mentioned, the systematic review of the company's approach to health and safety

Of particular importance for the Board has been building on constructive relationships with our stakeholders - including industry, government, financial markets participants and customers. The role Fletcher Building plays in the market is an important one and it is critical to our success that we ensure our relationships across all stakeholders are strong.

During the year we appointed Peter Crowley to the Board. Peter is standing for election today and will have the opportunity to address the meeting shortly. Peter brings with him a wealth of leadership, commercial and operational experience from leading Australian building product companies that will further enhance the industry experience of the Board, and importantly, deep experience of the Australian market. Fletcher Building's strategy includes a significant agenda in Australia and Peter's extensive building products and local market knowledge will be an asset to the Board and the Company as we progress the turnaround of our businesses there.

As a Board, we are confident we have the range of skills, experience, expertise and diversity of thought to support Fletcher Building's strategy and to appropriately govern the Company. You can be assured that we have appropriate governance and oversight of the operations of the Group.

Ihumātao

I would now like to make some comments on our development at Ihumātao. The development has been widely discussed in the media and by various parties, and so I would firstly like to take this opportunity to clarify a few matters. We bought the land for development in good faith. It is private land and had been operated and developed as farmland since the 1860s, and then subsequently zoned for housing development by the Auckland Council.

We consulted with iwi, and worked to create an empathetic development solution, which gifted back a third of the land to provide an additional buffer between our development and the adjacent historic reserve, and to protect areas of historical significance. We also committed to provide affordable housing for iwi.

The development has been exhaustively tested through the Courts and all objections have been unsuccessful, and our development approved. So while we fully understand and respect the fact that there are diverse views on this topic, we have acted both ethically, legally and sensitively during the development process.

That aside, when the Prime Minister asked us to pause the development to allow discussions between Government and iwi to take place, we agreed to do this. Our development has now been paused for almost four months because we want to support a mutually satisfactory outcome.

Our discussions with Government are continuing, and we have been advised that the Government is hopeful of achieving a resolution by the end of the calendar year.

NZICC fire

Separately, I'd like to make a comment regarding the fire at the NZICC. Ross will speak to the detail, but I would like to convey my sincere thanks on behalf of the Board to the fire and emergency services teams for their tireless work bringing the fire under control and keeping the Auckland CBD safe. We wish to acknowledge their considerable efforts, and those of our customer SkyCity and our people working on the project, during what was a very difficult period for everyone involved.

We are committed to completing this project and opening the convention centre for the benefit of all New Zealanders.

Delivering the strategy

Turning now to slide 12, which lays out the timeline of the strategy we established to focus Fletcher Building and lead it to growth. When I spoke to you at last year's Annual Meeting, we were six months into that new strategy, and we had already put in place a Board reset to support this new strategic direction.

There were three broad stages in front of us, the first stage of which we concentrated on in FY19 noted by the grey shaded box. FY19 was about focussing and stabilising the business and putting in place the strong foundations we need to move into growth. It was about staying focused on the core NZ operations, stabilising Construction and getting it back to profits, setting the Australia Division up for turnaround and getting the non-core businesses, which created geographic complexity, sold. Pleasingly we achieved all of this.

This has set us up for FY20 and beyond, where our focus has shifted to performance. Ross will give more detail on how we are thinking about the year ahead shortly and the actions we are taking to drive performance. And then beyond FY20, the final stage is focusing on achieving above market growth.

The success of Fletcher Building is our focus as a Board, but it is not lost on us that it is also critically important to the 17,000 people we employ across New Zealand, Australia and the South Pacific; our Governments, who we partner on incredibly important projects in housing and infrastructure; the communities in which we operate; the suppliers and contractors who rely on us; and our customers – without which we wouldn't have a business to start with.

The Board looks forward to continuing to work with all our stakeholders as we pursue our vision of becoming the undisputed leader in New Zealand and Australian building solutions, with products and distribution at our core.

ENDS



Thursday 28 November 2019

FLETCHER BUILDING LIMITED
2019 Annual Shareholders' Meeting
Chief Executive's Address

Good morning Ladies and Gentlemen.

As Bruce has outlined, we got through a lot in the last financial year and we've made considerable progress on our strategy while continuing to deliver a mostly solid business performance. But we were however very disappointed at our safety performance through last year.

Tragically, the year was marked by five fatalities within our business. Through this we ensured that our sympathies, and support have been provided to their colleagues, friends and families. We also made sure we learned all we could from what happened, so incidents like these are not repeated.

Following on from these incidents, we are now well into a multi-year reset of our safety approach to ensure we have both; safe work practices, and safe work places across every corner of Fletcher Building. To help us achieve this as quickly as possible we have partnered with Dupont, an international safety organisation. Our target is be at industry best practice in safety within the next 3 years.

Firmly focused on our future

Having achieved our aim through the FY19 financial year of getting the business both focused and stabilised we now have a good foundation for taking Fletcher Building into the future.

Our overall aim remains unchanged and that is, "To be the undisputed leader in NZ and Australian building solutions – with products and distribution at our core". We continue to believe this vision is; compelling, achievable, and will create shareholder value over the medium term. Through my presentation this morning I will outline both, why we believe this, and how we are now going about achieving it.

Positions us well to drive shareholder returns into the futures

Firstly I'd like to highlight why we feel why our strategy positions us well to drive shareholder returns into the future. It brings focus. It provides consistency – we are trying to do similar things in similar markets. It is leveraged to upside as we have multiple opportunities for growth and are not dependent on a single bet – we have growth opportunities in our NZ core businesses, we have a significant turnaround opportunity and prize in Australia, our NZ residential business has a number of growth opportunities in adjacencies around its present core, and Construction, once clear of the legacy projects and refocused for consistent performance – will provide a further NZ growth opportunity.

All of this is underpinned by a very strong Balance sheet, and strong underlying cash flows. And we are positioned well for key macro trends. The combination of our scale “in market” positions, and the relative geographic isolation of NZ and Australia, means we can be a “fast follower” and identify and take advantage of these trends ahead of the competition in our home markets.

We continue to believe this strategy can achieve above market revenue growth and a material lift in profitability over the next few years.

Medium term market outlook is forecast to be supportive

On a positive note, the medium term outlook looks set to remain supportive with economic forecasters expecting our key markets to grow for the next few years at least.

In New Zealand, our key sectors by and large are forecast to remain pretty robust. In Australia the combination of the residential market returning to growth from FY21, and increasing levels of infrastructure spend, have resulted in forecasters predicting a relatively strong outlook in the medium term.

And finally, with population continuing to grow in both NZ and Australia, underpinned by continued immigration, we should see a supportive backdrop for ongoing GDP growth in both countries.

Focus now on driving consistent performance and setting up for growth

As I mentioned in my introduction we have a very strong set of businesses that we now need to ensure are performing consistently and well and are doing things now, that will set us up to achieve growth in future years.

The graphic on the screen brings to life this ambition, and recognises the different starting point for each of our key business areas. The broad themes outlined here are; a focus through this financial year on fixing performance issues where we have them and then, from FY21 onwards deliver both performance improvements, and growth.

I will go through this in a bit more detail in the coming slides.

Executive Team well positioned to drive and lift performance

Against this backdrop, I have continued to evolve the Executive Team. We now have in place a team that is a blend of proven long term Fletcher Executives, combined with some more recent additions. I believe this combination sets us up well to achieve our goals and aspirations for the company.

Hamish, Bruce, Ian, Steve and Dean have all been here for many years, have all led businesses successfully, all have deep sector knowledge and importantly all continue to demonstrate strong performances in the businesses they are now leading. Peter, has made a big impact since joining as our Construction Chief Executive a year ago, has steadily re-established a strong go forward Construction team, and quickly got his arms around the overall construction reset.

Bevan and Claire have continued to be instrumental in the overall Fletcher Building reset and the additions of Andrew, and Wendi have been important in supporting what we need to achieve across; governance, risk management, and the overall safety reset I mentioned in my introduction. David continues to lead Technology while we work through an internal and external recruitment process for this role.

Most of the team are here today, and if they could please stand up so you can see where they are. They, like me, will be available after the formal part of the meeting, so I would encourage you to seek them out for a chat.

NZ core has good market positions, but margins under pressure

In the next part of my presentation today, I will provide more detail on each of our key operational areas. I'll start here in NZ, with our core operating businesses - Concrete, Building Products, and Distribution. These businesses are a unique set of assets and all have strong market positions, great brands, and, established and complementary channels to market.

Across all these businesses, revenue has grown through the last few years. However, in recent years we have experienced some margin compression. This has been predominantly a result of; above average input cost rises, competition limiting price increases and, if we are honest with ourselves, the distractions of the last 2 to 3 years have caused us to lose focus on; driving product innovation, and looking for sensible adjacent opportunities.

Positioning the NZ core for margin improvement and growth

We are focused on turning this tide, by focusing on four consistent themes.

Firstly, driving operational excellence across; manufacturing, pricing, logistics and customer performance in each and every business. A good example is that delivery tracking is now possible for our customers across the plasterboard and concrete businesses and will soon be live for Distribution.

Our second focus area is to reboot innovation and new product development across the businesses, and we are already seeing some exciting recent examples: such as the Iplex, mobile pipe extrusion plant in the South Island – which not only has an extremely competitive manufacturing price point, but allows us to move the plant to where the bigger projects are occurring; and the recent Laminex range update which also allowed us the efficiency benefit of reducing the number of SKU's we offer.

Thirdly, we're also making significant investments across; e-commerce, digitisation and automation. This is particularly focused in our Distribution businesses, where following the digitisation of our customer facing processes, we are now moving into a major push, to get our ecommerce channels, and customer support applications ahead of the competition.

And finally, we'll continue to look at logical adjacencies around our present areas. A good example is Wallboards GIB Weather-line product, which has, allowed them to successfully move into the Cladding product adjacency.

Highly successful Residential and Development Division

Our Residential and Development division has been a real success story over the last 5 years, where we have successfully created New Zealand's number 2 house developer, and also, put in place a strong industrial Land Development capability. The team has; a great customer focus, very strong operating skills and good financial disciplines. All this underpinned 755 sales through FY19, and generated EBIT of \$137 million.

Looking forward, we have around 5,000 future lots under our control, and we expect to be able to progressively increase this. Importantly, this gives us a solid base to allow the Residential business to continue to operate at these levels.

Ability to scale Residential further

Looking ahead, our focus is firmly on where we can now take this business. Firstly, we want to grow our base residential business to around 1,000 units per annum. Then we want to see our land development pipeline continue to generate sustainable profits at around \$25 million per annum.

Thirdly, we want to scale up the volume through our recently opened housing manufacturing plant both, working on houses for our own business, as well as others. This is a great example of being a fast follower where we have imported world leading practices and localised them for the NZ market. This technology allows us to both increase quality and halve the time to build a house. It also provides a possible future next step into our Australian businesses. This is a very exciting step for us.

And finally, we are also actively working on tapping into the housing densification trend here we are hoping to crack the apartment market through innovative modular construction systems. To this end we are looking at both modular timber, and modular steel construction systems, to see if we can't bring down construction time and price points, to a level that we believe makes investment in this sector compelling.

All in all, this represents an exciting opportunity for Fletcher Building.

Pivoting Construction to a more balanced portfolio

Moving onto Fletcher Construction. This is a business that is well positioned in New Zealand, with circa 10% market share, and it enjoys strong positions across; roading, infrastructure, and vertical construction. While its problems have been well publicised, we are now getting to a position where we can properly focus on the future of this division.

A key part of this future is to focus on winning a mix of projects that will ultimately position the overall business with a more balanced portfolio of work 1/3rd risk, 1/3rd alliance, and 1/3rd maintenance.

The benefits of this approach are shown on the graph on the slide. As the legacy, and nil margin risk projects are completed we should see this business have a pretty clean revenue stream by FY21 and by the time we get to FY23 we would expect to see the division with a well balanced and sustainable revenue profile.

Growing Construction in profitable sectors

To ensure we achieve this we are working across four key areas. Firstly, rebuilding the talent and skills across the business, through training and development, as well as selective recruitment from the external marketplace.

Secondly, improving all elements of; our operating disciplines, our governance, and our risk management. This is quite holistic and covers all elements of a projects lifecycle; from the bid, through construction, and to the ultimate handover and commissioning process.

Then we want to ensure we build the revenue and work profile I outlined on the previous slide.

Pleasingly we are making good progress, and with wins like \$2.4 billion, ten year Watercare partnership contract, we are on track to achieve this transition.

And finally, we remain focused to completing the legacy projects within the provisions we raised back in February 2018.

Update on NZICC

It's appropriate at this point, to provide a brief update on the status of the Convention Centre, following the fire a few weeks ago.

Firstly, and very importantly, all our staff and subcontractors on site were evacuated safely and without any injuries. And, I also want to again express our gratitude to the fire and emergency teams, who did a great job over a number of days to bring the fire under control.

Also in recent days, the insurers for the project have now formally confirmed that both the Contracts Works, and the Third Party Liability insurance policies, will respond to damage and claims caused by the fire.

We have now had access to the site for two weeks, and are actively working on making the site safe. And in parallel to this, we are also developing the rebuild plan and timetable, which we expect to have finalised by February next year.

Based on the information we have available at this point in time, we have confirmed we remain within the Construction provisions announced in February 2018. And in line with completing the rebuild plans and timetable, we expect to be in a position to update the market on this at our half year results in February 2020.

Intervened in Australia and dealing with market downturn

As we have discussed extensively, while our Australian businesses generally enjoy strong market positions, they have not been performing well. And last year, this issue was exacerbated by the combination of the sharp declines in the Australian residential market, and generally higher input costs across all of our businesses.

Against this backdrop we made decisive intervention last year to; materially reset the cost base, lift the talent and bench strength of the team, and continue to support growth and efficiency investments.

These programmes remain on track, with most of the identified initiatives now implemented. That said there will be a larger first/second half imbalance in our profits than usual, as we do not get the full run-rate benefits of the "cost out" initiatives until the second half of FY20.

While the residential market downturn has impacted our plans, our sense is the downturn will bottom out at the 150,000 to 160,000 level this financial year, and then grow from there. As such, we continue to target getting the Australian business to profit levels in the 6% to 7% range in the medium term.

Australia cost out and growth investment progressing well

Looking forward, our Australian core businesses are focused on the same four themes as we are in NZ.

Firstly, driving operational excellence across every business. In truth, this is where the majority of our recent focus has been, as it has involved a significant reset some examples include: the rationalisation of our; stores, distribution centres, and loss-making businesses; the consolidation of manufacturing facilities, to get costs to a sustainable and competitive level the picture on the slide shows one example where we consolidated of our Insulation manufacturing, to Dandenong in Victoria only; and the merger of Rocla and Iplex which provides both operational efficiencies and allows us to better serve our numerous joint customers.

Secondly, the reboot of innovation and new product development and like NZ we are already seeing some exciting recent examples: such as the recent Laminex range update, which was led by the Australian business, and has been very well received by our Australian customer base; and the packaging and product update across our full insulation range which again has been well received by our customers.

Then like NZ, there is a significant focus across e-commerce, digitisation and automation. An exciting early success in this space is the launch of the Laminex digital platform, this has been well embraced by our customers, and is an integral part in the performance improvements we are already seeing in the Laminex business.

And finally, we'll continue to look at logical adjacencies around our present areas. Good initial example's include; starting an Iplex "direct to site" Civil business, the focus Stramit is putting into the garage door sector, and the own brand products we continue to introduce into Tradelink

Continued focus on our key enablers to drive performance

Beyond what I have already talked about, there are a number of key themes and enablers we are working on across all the businesses, and these will be just as critical to our success over the next few years:

- Delivering a complete reset of our safety culture and performance;
- Continuing to focus on our key resource our people, improving; engagement, talent, diversity, and the overall skills in the organisation;
- Getting ourselves firmly positioned with our customer facing, ecommerce and digital systems, and at the same time getting our backbone IT systems fit for purpose;
- Continuing to lift our operational performance across all businesses;
- Bringing innovation and local adaption to life truly being the global fast follower we need to be; and
- Finally continuing to advance on our customer service and customer promise across all businesses, channels and segments.

We will continue to bring our progress against all of these to life for shareholders, and regularly report against them alongside our key financial metrics.

Market and trading update – New Zealand

So now to give some context on the market, and how we are seeing things this year so far beginning with New Zealand.

In our Core divisions finishing trade volumes remain strong, supporting a good performance in plasterboard, insulation and laminates however civil, infrastructure and early trade works are

trending slightly lower. This is flowing through to a slight easing in demand for; concrete and pipes And, as has been well signalled, the steel market remains highly competitive.

In Residential & Land Development, strong demand remains for houses in the mid price point range, and margins have held up. The first of two Land Development transactions were completed in July, with a second site scheduled to complete either in late December or early January.

In Construction, Higgins asphalt works were impacted by a wet first quarter, but more recently has returned to normal volumes.

Looking forward for the rest of the year in New Zealand we expect: residential consents to ease slightly off peaks; commercial activity to remain steady; and in Infrastructure we expect to see spending ease in major roading, but see increased spend in; road safety, water, and rail.

Market and trading update - Australia

And in Australia: our cost-out programme is progressing to plan; we're seeing good turnaround momentum in Laminex and Fletcher Insulation; high competitive intensity continues to place pressure on price and margin in Stramit and Tradelink; and infrastructure project delays are expected to have some near-term impact on Iplex-Rocla in FY20.

And looking forward for the rest of the year in Australia we expect: the contraction in Residential to continue to the levels we'd previously forecast; we expect commercial activity to remain steady; and while we are less exposed to Infrastructure work, project activity is expected to remain lumpy, with an expected lift in calendar 2020.

FY20 outlook

Finally, we see little change to the FY20 outlook we forecast in both June and August this year. We expect EBIT before significant items for the full 2020 financial year, to be in the range of \$515 million to \$565 million.

In providing this outlook, I would restate the following points from my presentation. In New Zealand core earnings remain solid overall, with Steel impacted by ongoing high competitive intensity. Residential will grow slightly on the prior period and we expect Land Development to return to a \$25m p.a. EBIT run-rate. Construction earnings will be broadly stable driven mainly by the upcoming roading season. And in Australia, earnings will be weighted to the second half, as benefits of the cost out programmes ramp up and also we expect the pipelines businesses to be impacted through the year by lower civil and project activity. It's also worth noting that the outlook includes higher year on year; depreciation and corporate costs, and the full impacts of the new accounting standard IFRS16.

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FOCUS

2019 Annual Shareholders' Meeting

28 November 2019

Fletcher Building Limited
Annual Shareholders' Meeting 2019



FOCUS

Bruce Hassall

Chair

Fletcher Building Limited
Annual Shareholders' Meeting 2019



Directors



Martin Brydon



Tony Carter



Barbara Chapman



Peter Crowley



Rob McDonald



Doug McKay



Cathy Quinn



Steve Vamos



Meeting agenda

Chair's address

Chief Executive Officer's address

Voting on Resolutions

General Q&A

Refreshments



FY2019 results at a glance

Revenue \$9,307_m FY2018 \$9,471m	Net Earnings/(Loss) \$164_m FY2018 (\$190m)	EBIT* \$631_m FY2018 \$50m <small>* Before significant items</small>	EPS* 43.0_c FY2018 (8.1c) <small>* Before significant items</small>
Net debt \$325_m FY2018 \$1.3b	Leverage ratio 0.4_x FY2018 4.8x	Return on Funds Employed 11.8% FY2018: 0.9%	Cash Flow from operating activities \$153_m FY2018: 396m



Returns to shareholders: dividend reinstated, share buyback underway

Dividends

23c

FY2018 nil

Share buyback of up to



\$300m

\$106m spent so far

- Dividend policy to pay dividends in the range of 50%-75% of net earnings before significant items and having regard to available cash flow¹
- Return of capital to shareholders via share buyback is tax effective for shareholders and increases the relative earnings per share



FY2019 performance – continuing operations

Group	External Revenue \$8,308m FY2018 \$8,211m	EBIT ^{1,2} \$549m FY2018 (\$28m)
 New Zealand Divisions	\$5,375m FY2018 \$5,239m	\$532m FY2018 (\$97m)
 Australia Division	\$2,933m FY2018 \$2,972m	\$57m FY2018 \$114m

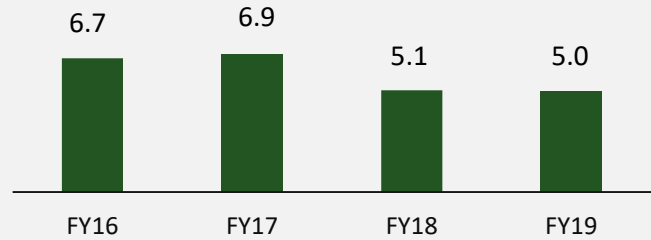


FY2019 balanced scorecard

Safety



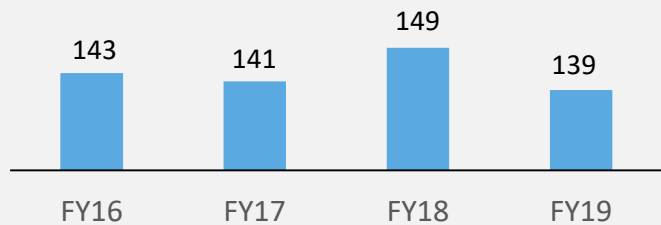
Total Recordable Injury Frequency Rate ¹



Sustainability



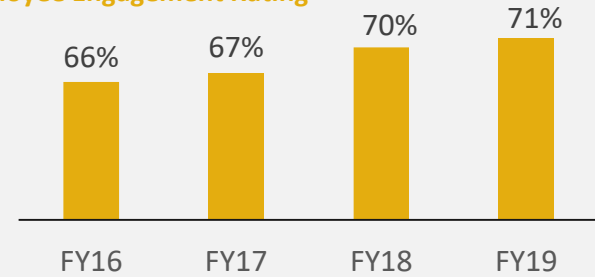
Carbon Emission Intensity ²



Engagement



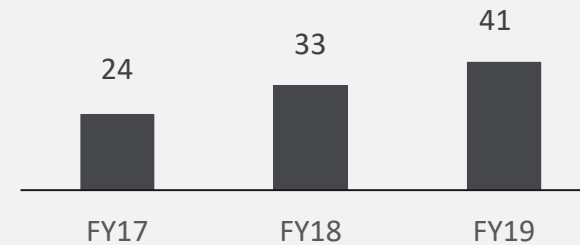
Employee Engagement Rating



Customer



Net Promoter Score ³



¹ TRIFR = Total no. of recorded injuries per million man hours worked.

² Carbon Emission Intensity = FBU Co2 Tonnes for every \$1m of revenue. Restated per ISO 14064-1, previously overestimated; increase in FY18 is due to Higgins acquisition

³ Net Promoter Score calculated as % Promoters (9 - 10) minus % Detractors (0 - 6).



Sustainability strategy



- Significant focus on health and safety through Protect safety reset
- Diversity and inclusion
- Science-based target for reducing our carbon emissions
- Dow Jones Sustainability™ Australia Index inclusion



Governance

Board Skills Matrix



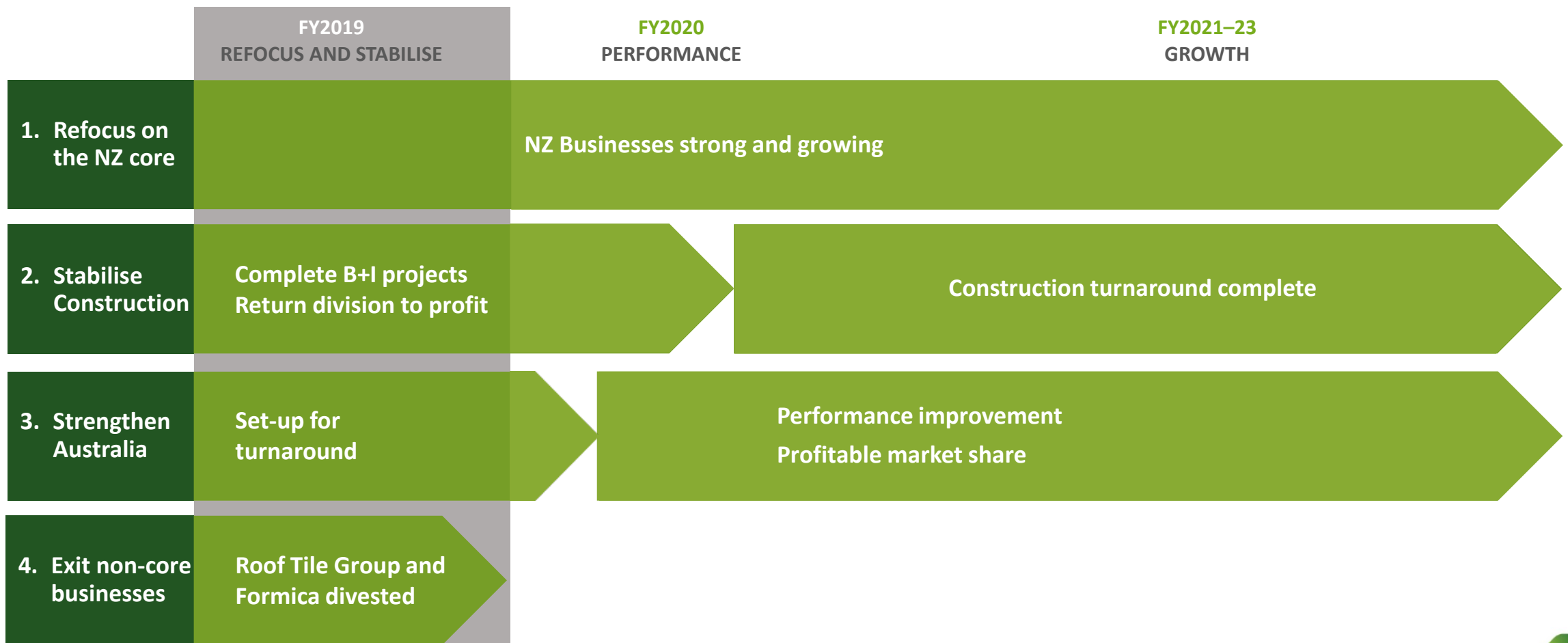
- Strengthened governance, including revitalised delegated financial authorities, implementation of golden rules and policy refresh
- Comprehensive induction of the new Board and the re-organisation and composition of board committees
- Adoption of the new NZX listing rules
- Systematic review of the company's approach to health and safety
- Emphasis on stakeholder relationships
- Strength and depth of skills on Board to effectively govern Fletcher Building Limited
- Board performance review underway



Ihumātao



Delivering the strategy



FOCUS

Ross Taylor

Chief Executive Officer

Fletcher Building Limited
Annual Shareholders' Meeting 2019



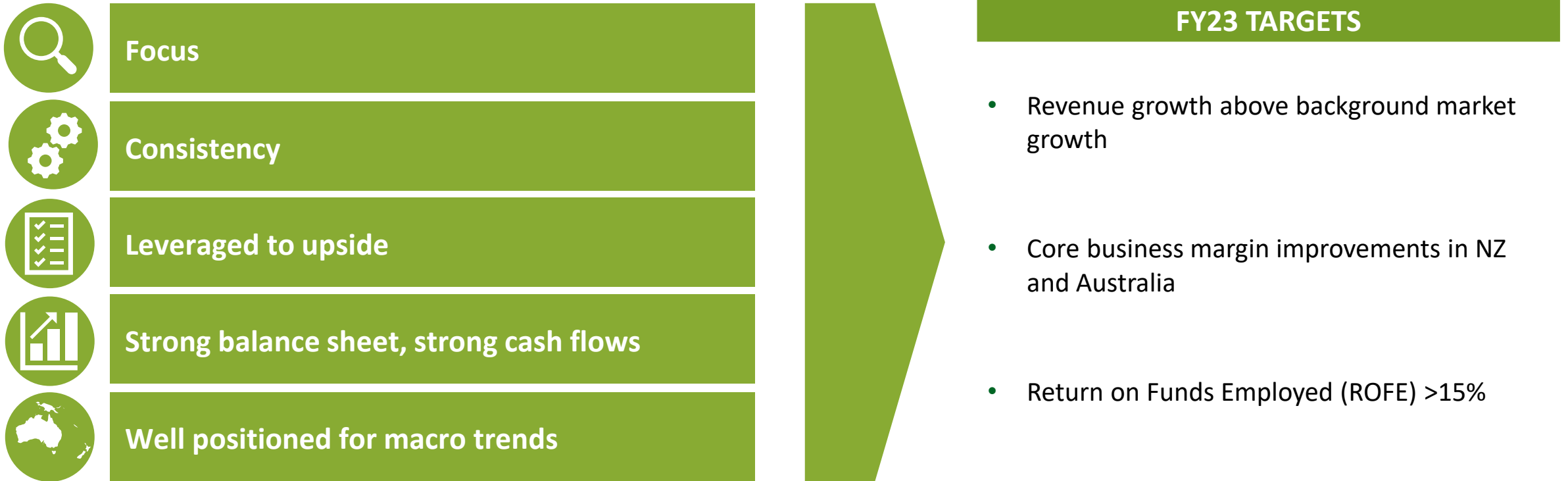
Firmly focused on our future



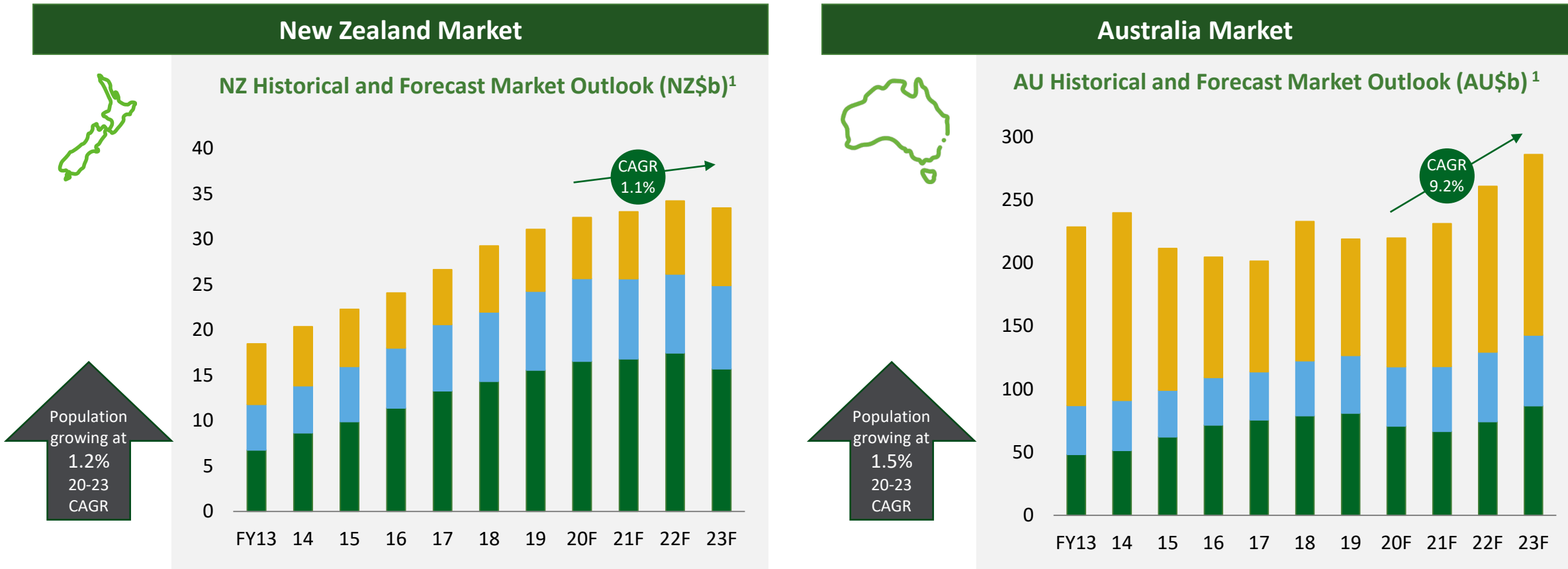
***To be the undisputed leader in New Zealand
and Australian building solutions –
with products and distribution at our core***



Positions us well to drive shareholder returns into the future



Medium term market outlook is forecast to be supportive

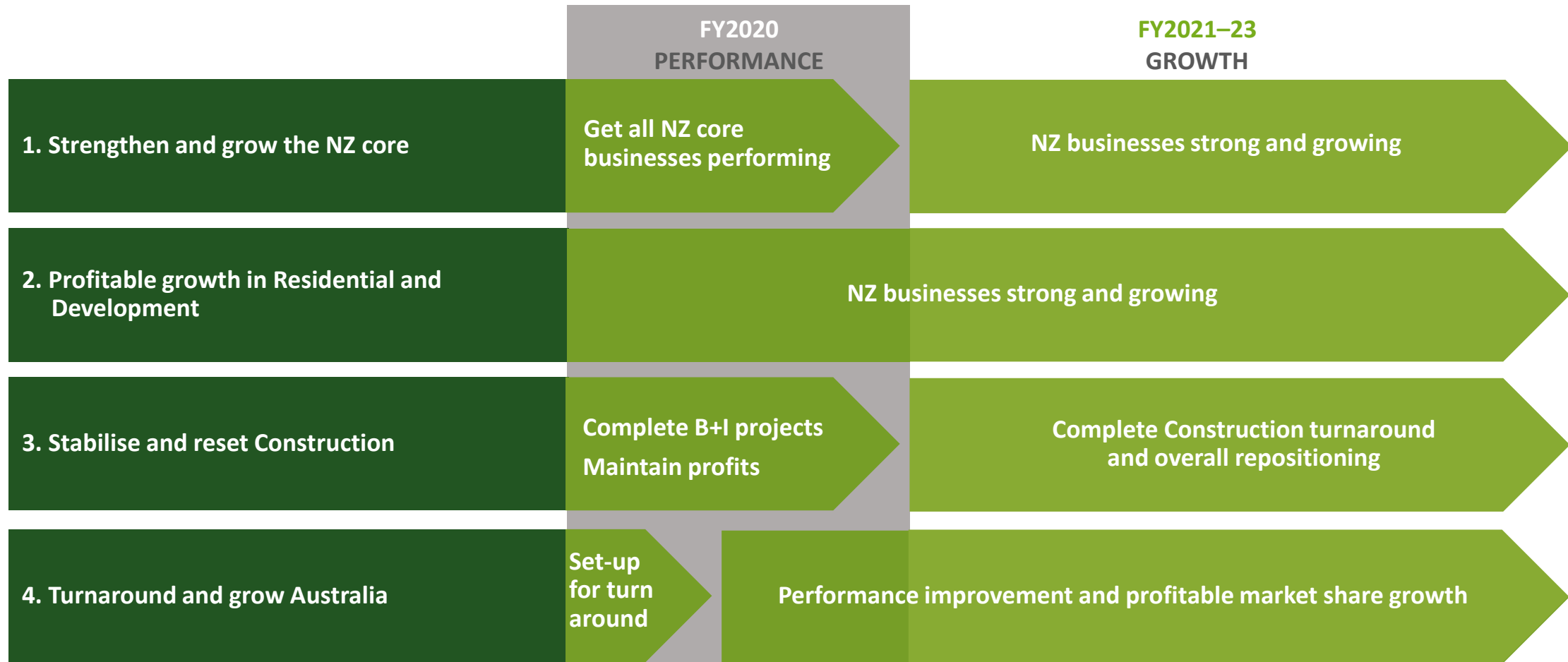


Key: Residential Non-Residential Infrastructure / Other

¹ Work put in place. Source: Infometrics, Oxford Economics



Focus now on driving consistent performance and setting up for growth



Executive Team well positioned to drive and lift performance

Operational Heads



**HAMISH
MCBEATH**
Chief Executive
Building Products



**BRUCE
McEWEN**
Chief Executive
Distribution



**IAN
JONES**
Chief Executive
Concrete



**STEVE
EVANS**
Chief Executive
Residential &
Development



**PETER
REIDY**
Chief Executive
Construction

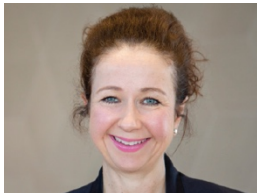


**DEAN
FRADGLEY**
Chief Executive
Australia

Functional Heads



**BEVAN
McKENZIE**
Chief Financial
Officer



**CLAIRE
CARROLL**
Chief People &
Communications
Officer



**ANDREW
CLARKE**
Company Secretary &
General Council



**DAVID
MOSS**
Acting Chief
Information Officer



**WENDI
CROFT**
Chief Health &
Safety Officer



NZ core has good market positions, but margins under pressure



**Building
Products**

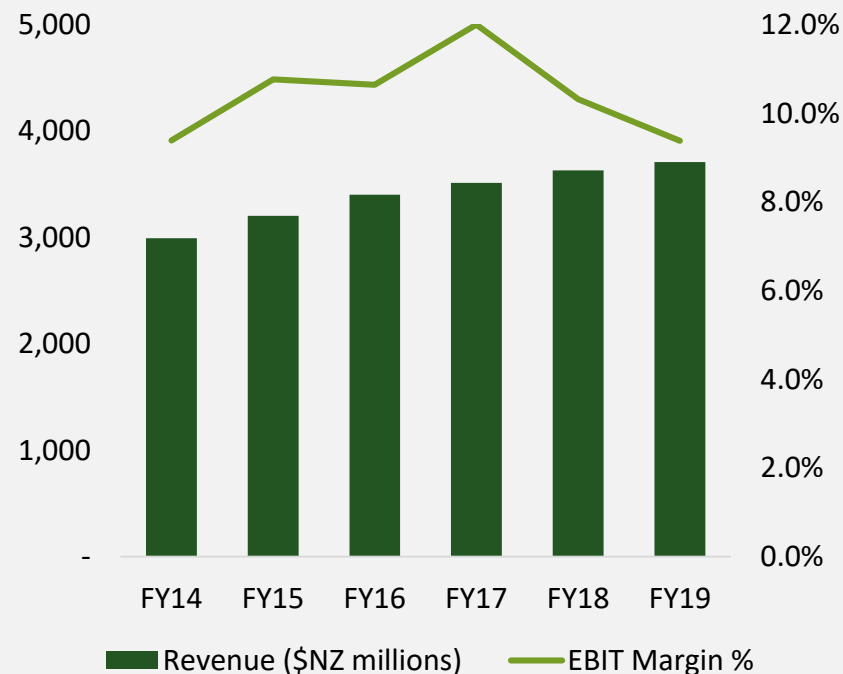


Distribution



Concrete

Gross Revenue And Margin FY14-FY19



Current Position

- #1 or #2 position in all businesses
- Revenue has grown in good market conditions
- Margin compression through input cost pressures and competitive markets
- Limited recent new product innovation or moves into logical adjacencies



Positioning the NZ core for margin improvement and growth

Key Focus Areas



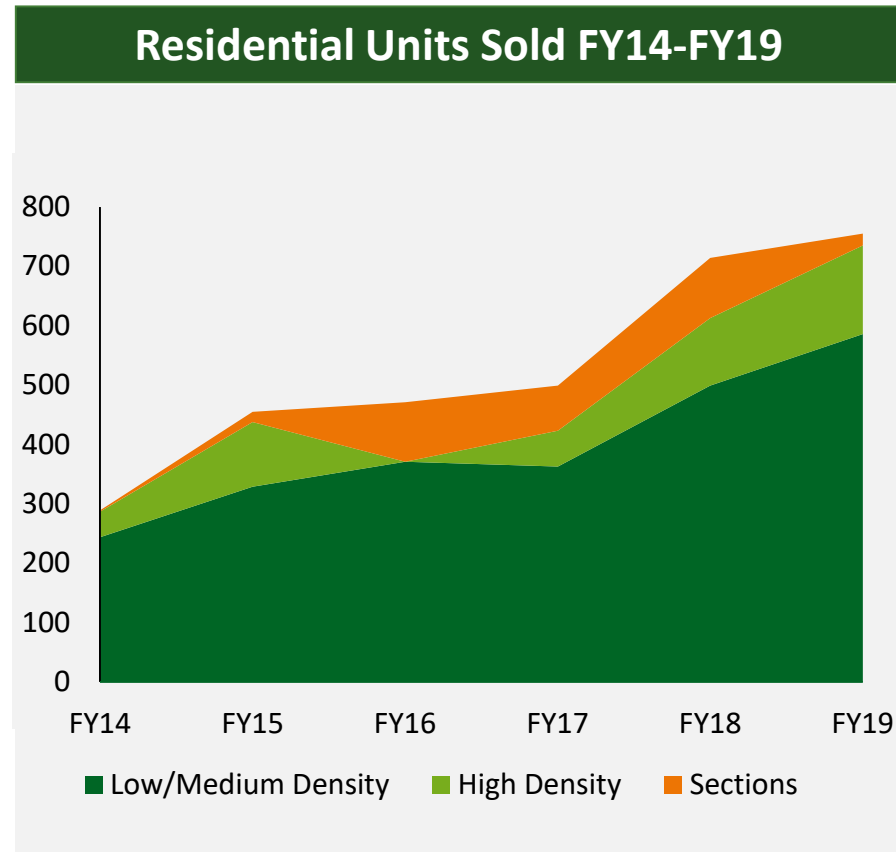
What We Are Doing



Highly successful Residential and Development division



Residential and Development

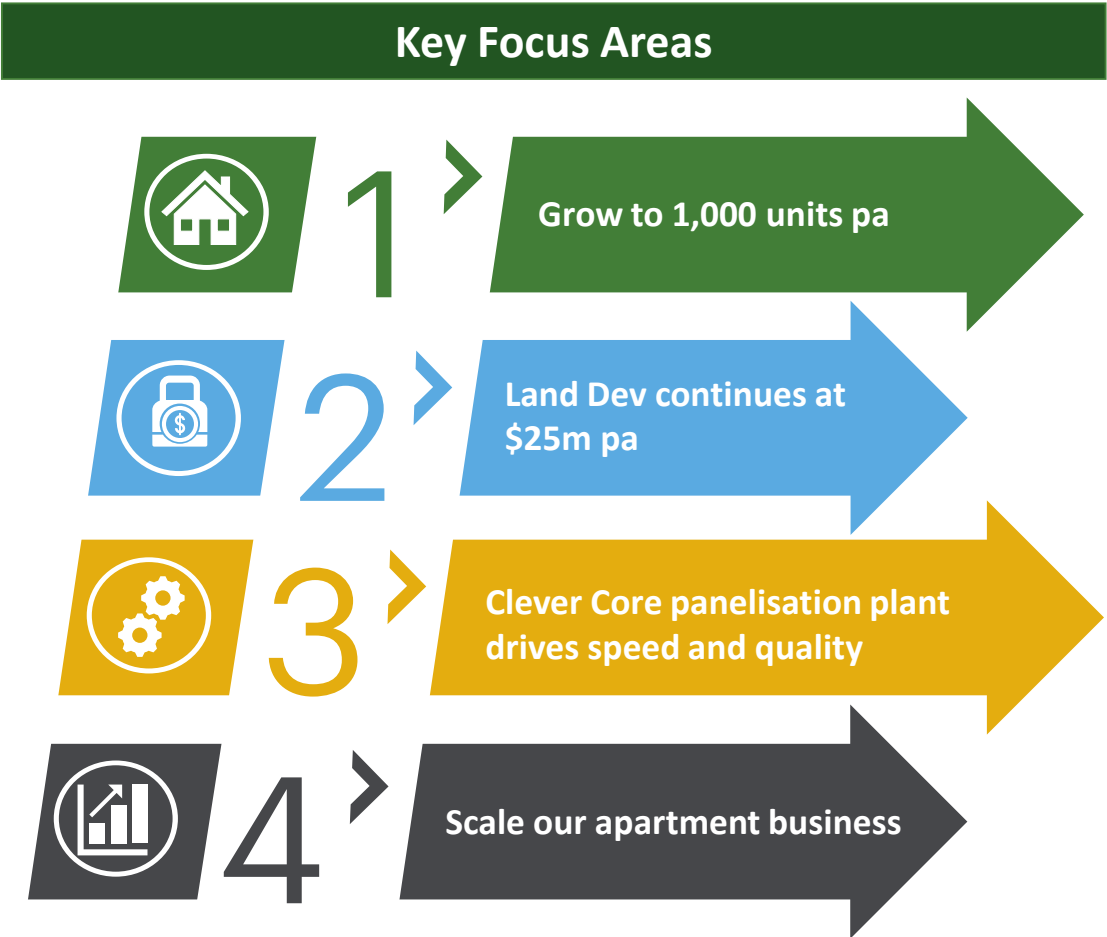


Current position

- #2 house builder in New Zealand
- New home sales mainly priced \$600-900k
- 755 residential units sold in FY19
- Strong operating disciplines
- Strong customer focus
- c5,000 future lots under control, c5 years' supply



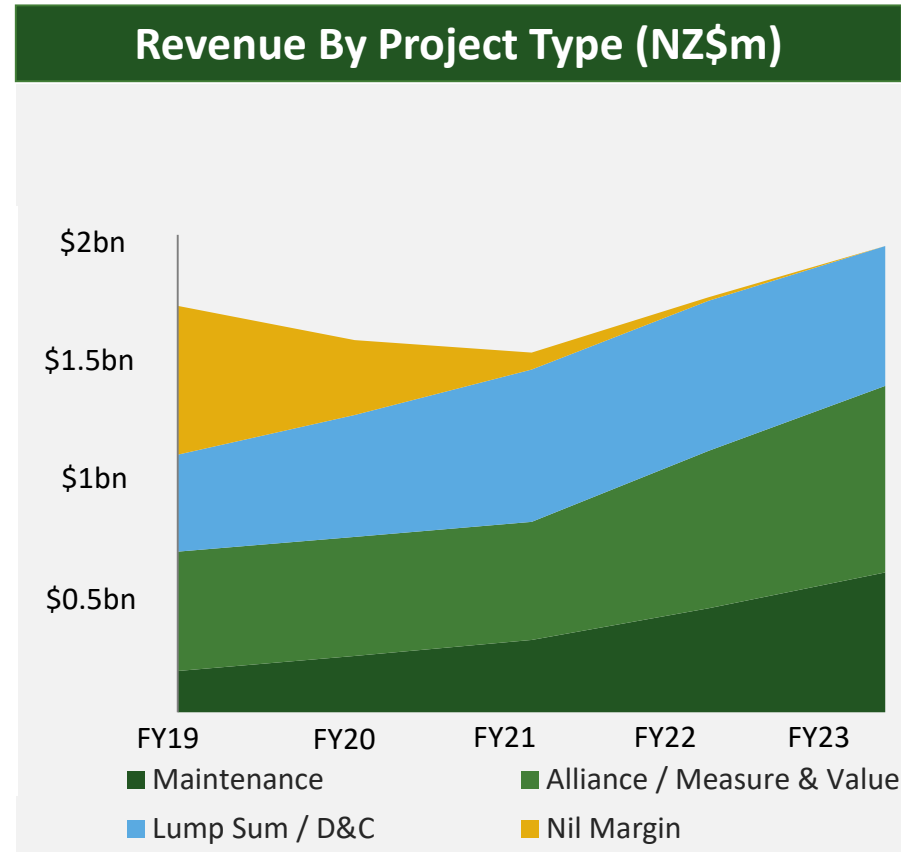
Ability to scale Residential further



Pivoting Construction to a more balanced portfolio



Construction

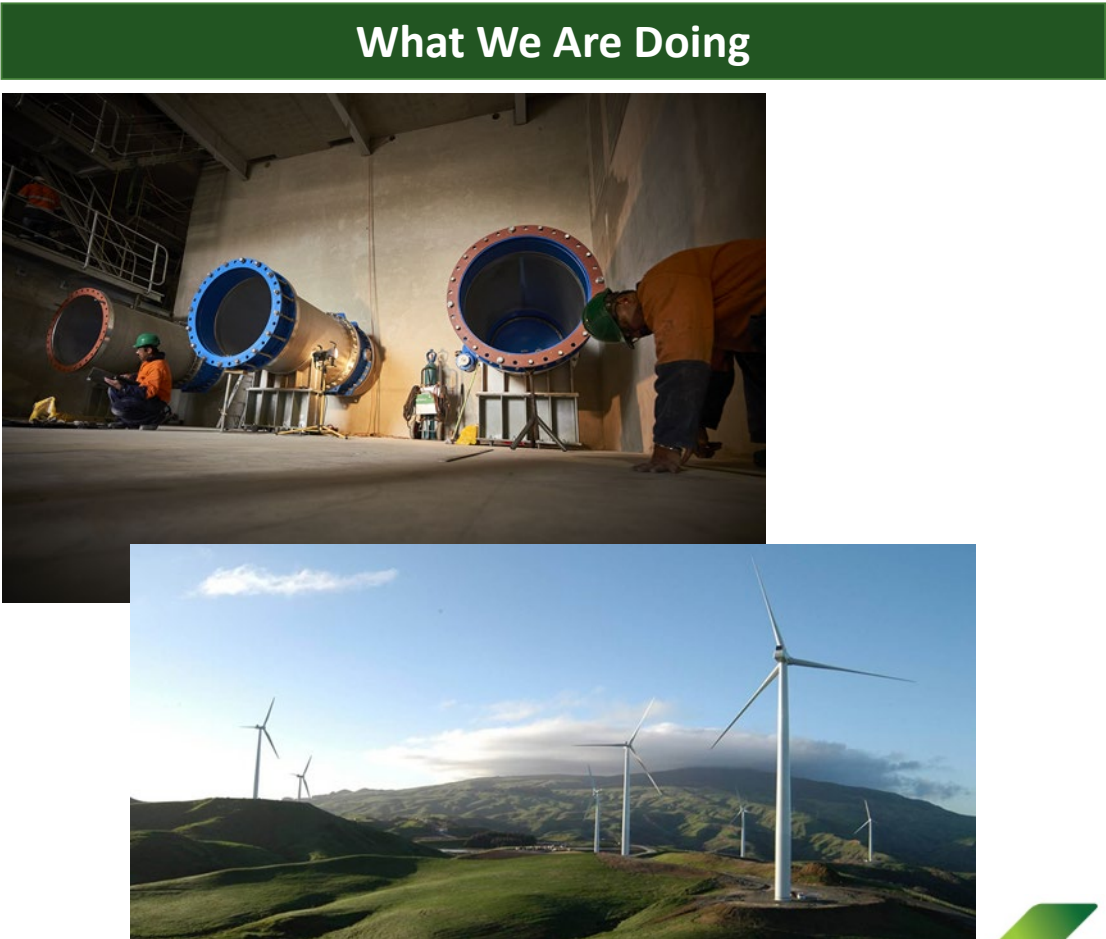


Current position

- The leading contractor in NZ and the South Pacific
- c10% market share
- Strong positions in roading, infrastructure
- Focused re-commitment to vertical
- More balanced portfolio in the future:
 - 1/3rd Lump Sum / D&C
 - 1/3rd Alliance / Measure & Value
 - 1/3rd Maintenance



Growing Construction in profitable sectors



Update on NZICC

- Fire at NZICC construction site in October
- All staff and subcontractors on site evacuated safely
- Extremely grateful to the Fire and Emergency teams
- We remain committed to delivering a world-class convention centre for Auckland and New Zealand
- Plan to restart the project as quickly as possible
- Contract Works and Third Party Liability insurances will respond to loss and damage
- Expect to be in a position to provide a further update at half-year results announcement in February 2020

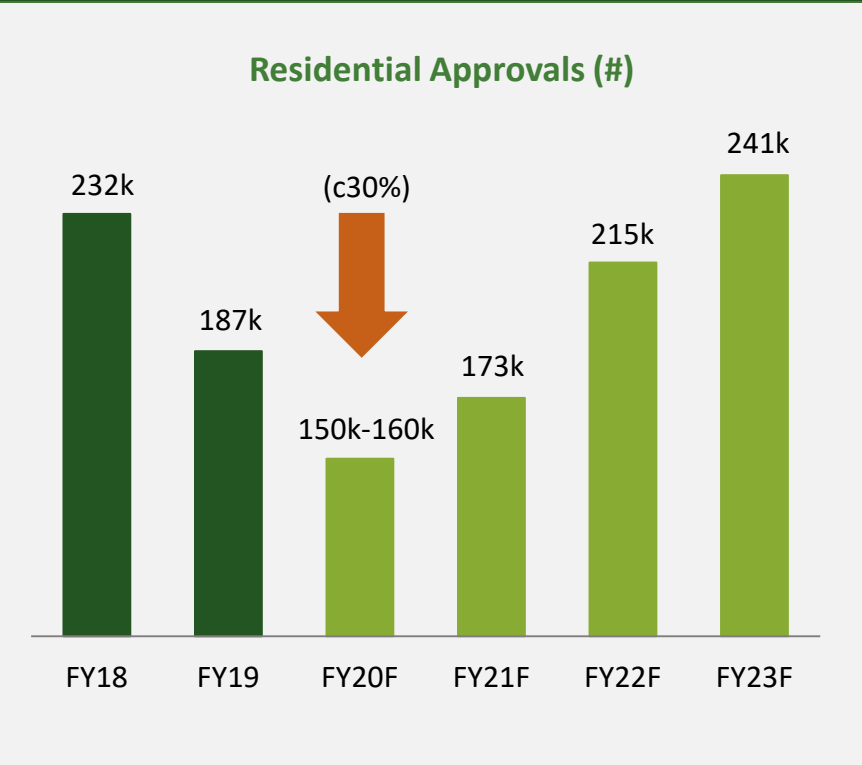


Intervened in Australia and dealing with market downturn



Australia

AU Historical and Forecast Market Outlook



Current Position

- #1 or #2 position in all businesses
- 54% exposed to Residential market
- Decline in Residential market, higher input costs, leading to price /margin pressure
- Decisive intervention to set the business up for performance improvement and growth: clear BU priorities, cost-out programme, targeted growth investment, and talent development
- Continue to target 7% EBIT margin in the medium term



Australia cost out and growth investment progressing well

Key Focus Areas



What We Are Doing



Continued focus on our key enablers to drive performance



**Strong safety
culture**



**Engaged and
capable people,
lean operating
model**



**Fit for purpose
systems, next
generation digital
capabilities**



**Disciplined
performance
improvement and
capital allocation**



**Leading innovation
and local
adaptation
anchored in
environmental
consciousness**



**High level of
customer intimacy
built through
owning channels
to key segments**



Market and trading update – New Zealand

New Zealand Trading Update



- Core divisions – Building Products, Distribution, Concrete:
 - Finishing trade volumes remain strong, supporting good performance in plasterboard, insulation, laminates
 - Civil, infrastructure and early trade work trending slightly lower, leading to slight easing in demand for concrete and pipes
 - Steel market remains highly competitive
- Residential & Land Development:
 - Strong demand for houses in key \$600k-\$900k segment, prices remain supportive
 - First of two Land Development transactions completed in July, second scheduled to complete in late H1 or early H2
- Construction: Higgins' asphalt works impacted by wet first quarter, no change to B+I provisions based on information currently available

New Zealand Market FY20 Outlook

- Residential activity to ease slightly off peaks, with continued trend to higher proportion of multi-residential dwellings
- Commercial activity to remain steady
- Infrastructure spend to ease in major roading, with increased spend in road safety, water, and rail



Market and trading update – Australia

Australia Trading Update



- Cost-out programme progressing to plan
- Good turnaround momentum in Laminex, Fletcher Insulation
- High competitive intensity placing continued pressure on price and margin in Stramit and Tradelink
- Infrastructure project delays expected to have some near-term impact on Iplex-Rocla in FY20

Australia Market FY20 Outlook

- Residential contraction expected to bottom in FY20 in line with prior expectations (c150k-160k housing approvals)
- Commercial activity to remain steady
- Infrastructure project activity to remain lumpy, with an expected lift in project commencements in key sectors in calendar 2020



FY20 outlook

- FY20 EBIT before significant items expected to be in the range of \$515 million to \$565 million
 - New Zealand core: earnings solid overall; Steel impacted by ongoing high competitive intensity
 - Residential & Land Development: Residential earnings to grow slightly on prior period; Land Development returns to c\$25m p.a. EBIT run-rate
 - Construction: broadly stable earnings driven mainly by upcoming roading season
 - Australia: earnings weighted to H2 as benefits of cost out programmes ramp up; pipes businesses impacted by lumpy infrastructure project activity



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Resolutions and Voting

Fletcher Building Limited
Annual Shareholders' Meeting 2019



Resolutions

Ordinary Resolutions

- Resolution 1 – Election of Peter Crowley
- Resolution 2 – Auditor fees and expenses

Special Resolution

- Resolution 3 – To adopt a new Constitution





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Appendix

Fletcher Building Limited
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Summary of FY20 metrics already communicated

	Land Development	<ul style="list-style-type: none">Land Development earnings to return to medium term average of c \$25m p.a. (c\$30m lower than FY19)
	Australia	<ul style="list-style-type: none">Targeting \$100m gross annual cost-out benefit by FY21; expect c\$15m of this to flow to net EBIT benefit in FY20 and c\$50m in FY21
	Corporate Costs	<ul style="list-style-type: none">Normalised run-rate of c \$55m p.a. (c\$15m higher than FY19)
	Depreciation and Amortisation	<ul style="list-style-type: none">c \$200m¹ (c\$25m higher than FY19)
	IFRS 16	<ul style="list-style-type: none">c\$50m increase in EBIT, c\$15m reduction in NPAT
	Funding Costs	<ul style="list-style-type: none">Funding costs expected to be c\$80-\$90m (excl. lease interest costs under IFRS16)
	Capex	<ul style="list-style-type: none">Expected to be in the range of \$275-\$325m (excl. WWB plant investment)
	Buyback	<ul style="list-style-type: none">Up to \$300m on-market share buyback
	Dividends	<ul style="list-style-type: none">Dividend policy to pay dividends in the range of 50%-75% of net earnings before significant items and having regard to available cash flow



Important Information

This presentation dated 28 November 2019 should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in the 2019 Annual Report and management commentary published on 21 August 2019.

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, consistent with previous market guidance. 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.

