

# 2014 Annual Shareholders' Meeting

*21 October 2014*

# Ralph Waters

## Chairman

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# Directors

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**Ralph Waters (Chairman)**

**Tony Carter**

**Dr Alan Jackson**

**John Judge**

**Mark Adamson (Managing Director)**

**Sir Ralph Norris**

**Kathryn Spargo**

**Cecilia Tarrant**

**Gene Tilbrook**



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# Meeting agenda

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## **Chairman's overview**

2014 financial performance

Board changes

## **Chief Executive Officer's address**

Progress on strategic priorities

## **Trading and financial outlook**

## **General business**

## **Voting on resolutions**



# Results Overview

## Revenue – underlying revenue growth of 4%

**\$8,401**  million

REVENUES down 1%

### Revenue growth rates

*Geographic segments in local currency*

New Zealand	+5%
Australia	+2%
Rest of World	+5%



# Results Overview

## Net earnings

**\$339**  million  
NET EARNINGS up 4%

**\$362**  million  
NET EARNINGS before significant items  
up 11%

- **Reported net earnings up 4% to \$339m**

- **Net earnings before significant items were up 11% to \$362m**



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# Results Overview

## Operating Earnings before significant items

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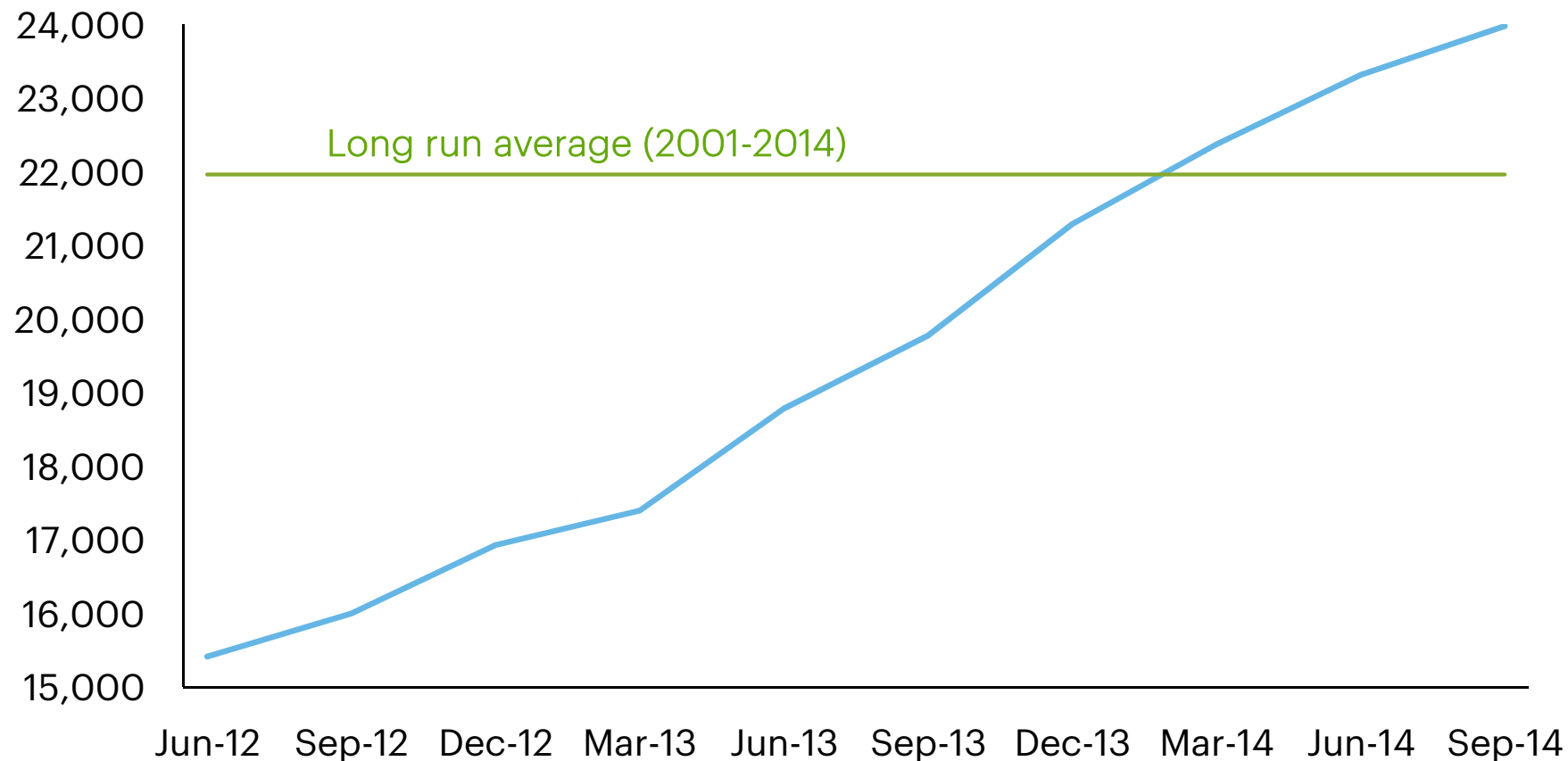
**\$624**  million

OPERATING EARNINGS before  
significant items up 10%

- **Operating earnings excluding significant items up 10%**
- **Within guidance range of \$610m - \$650m**
- **Excluding foreign currency translation impacts, EBIT would have been up 15%**



# New Zealand residential consents at highest level since 2007



Total residential consents 12 month rolling – New Zealand

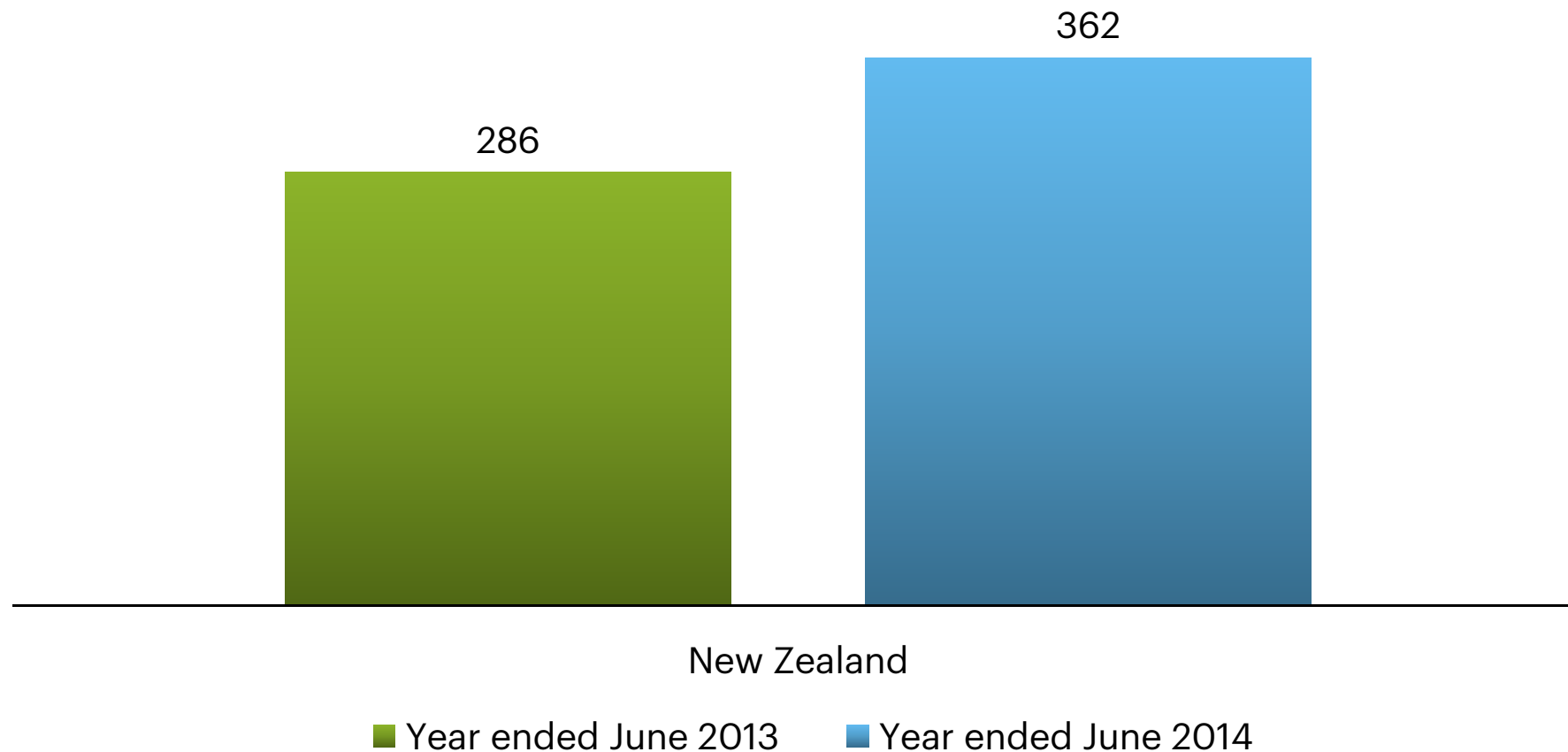
Source: Statistics NZ, Infometrics





# New Zealand operating earnings up 27%

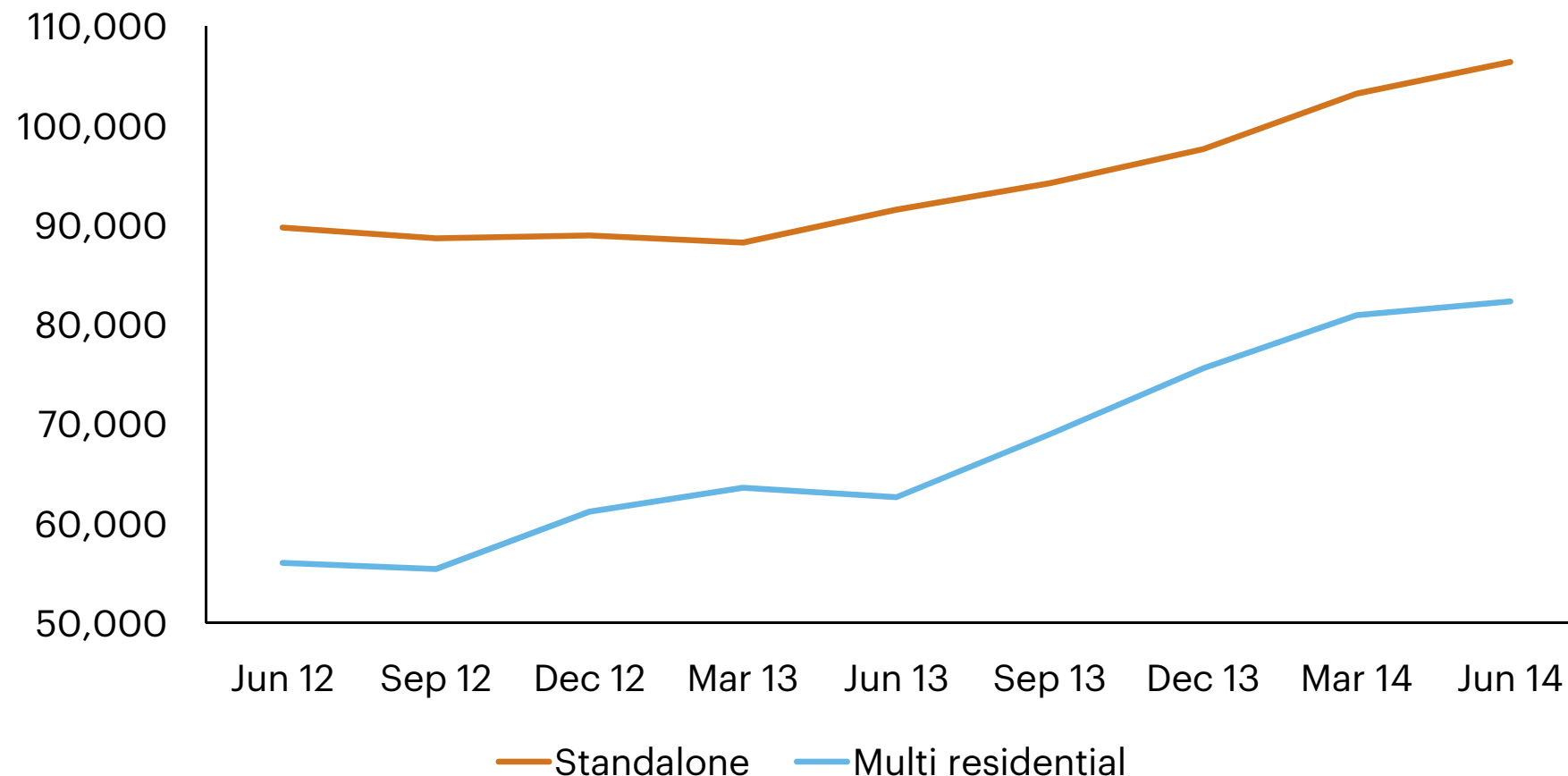
**EBIT<sup>1</sup>**  
**NZ\$m**



1. Before significant items



## Australian residential consents up 21% multi-unit dwellings up strongly



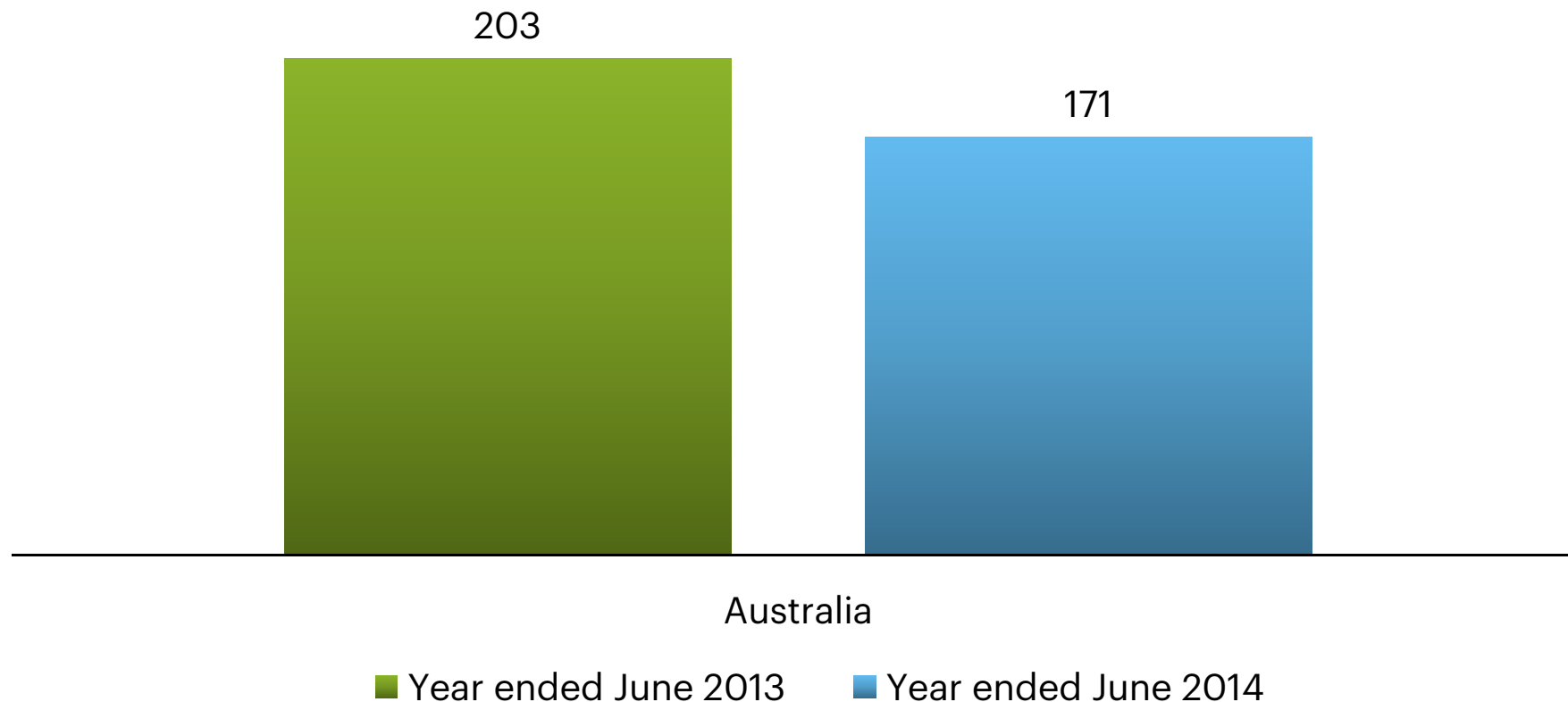
Total residential consents 12 month rolling – Australia

Source: Australian Bureau of Statistics



# Australian operating earnings impacted by currency translation and lower volumes

**EBIT<sup>1</sup>**  
**NZ\$m**

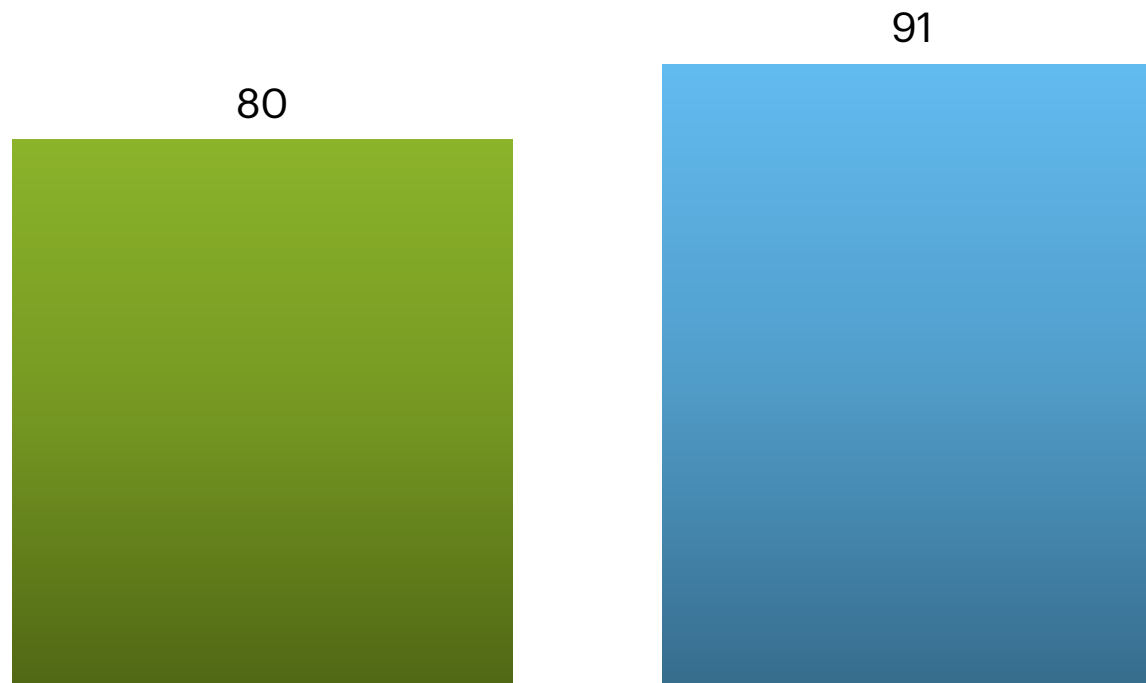


1. Before significant items



# Rest of World operating earnings rose by 14%

**EBIT<sup>1</sup>**  
**NZ\$m**



Rest of World

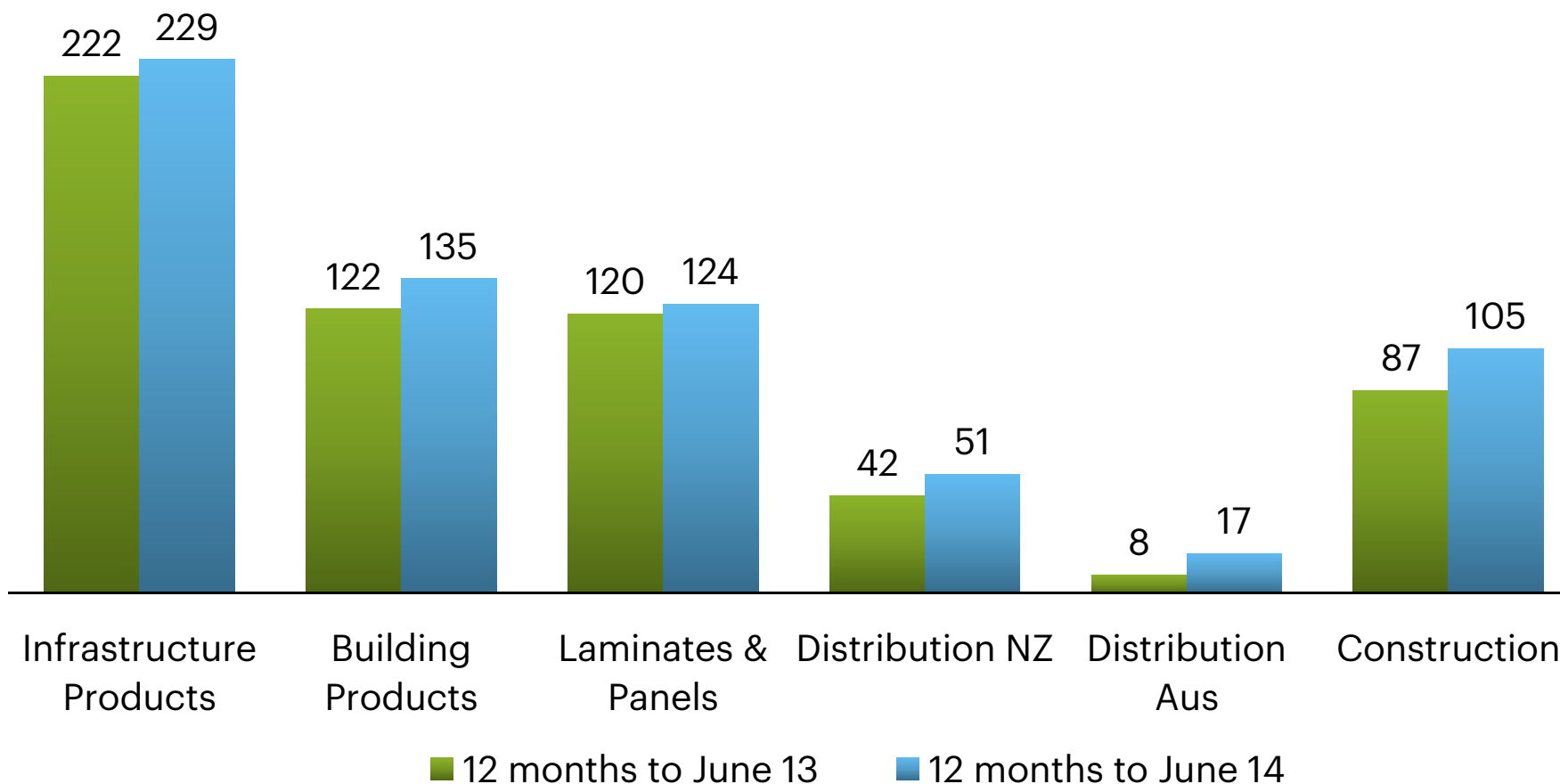
■ Year ended June 2013    ■ Year ended June 2014

1. Before significant items



# Every division increased operating earnings

**EBIT<sup>1</sup>**  
**NZ\$m**



1. Before significant items



# Results Overview

## Dividend

**36** C ▲  
DIVIDEND PER SHARE up 6%

- **Dividend Policy: target dividend pay-out in the range of 50% to 75% of net earnings**
- **Final dividend per share – 18 cents**

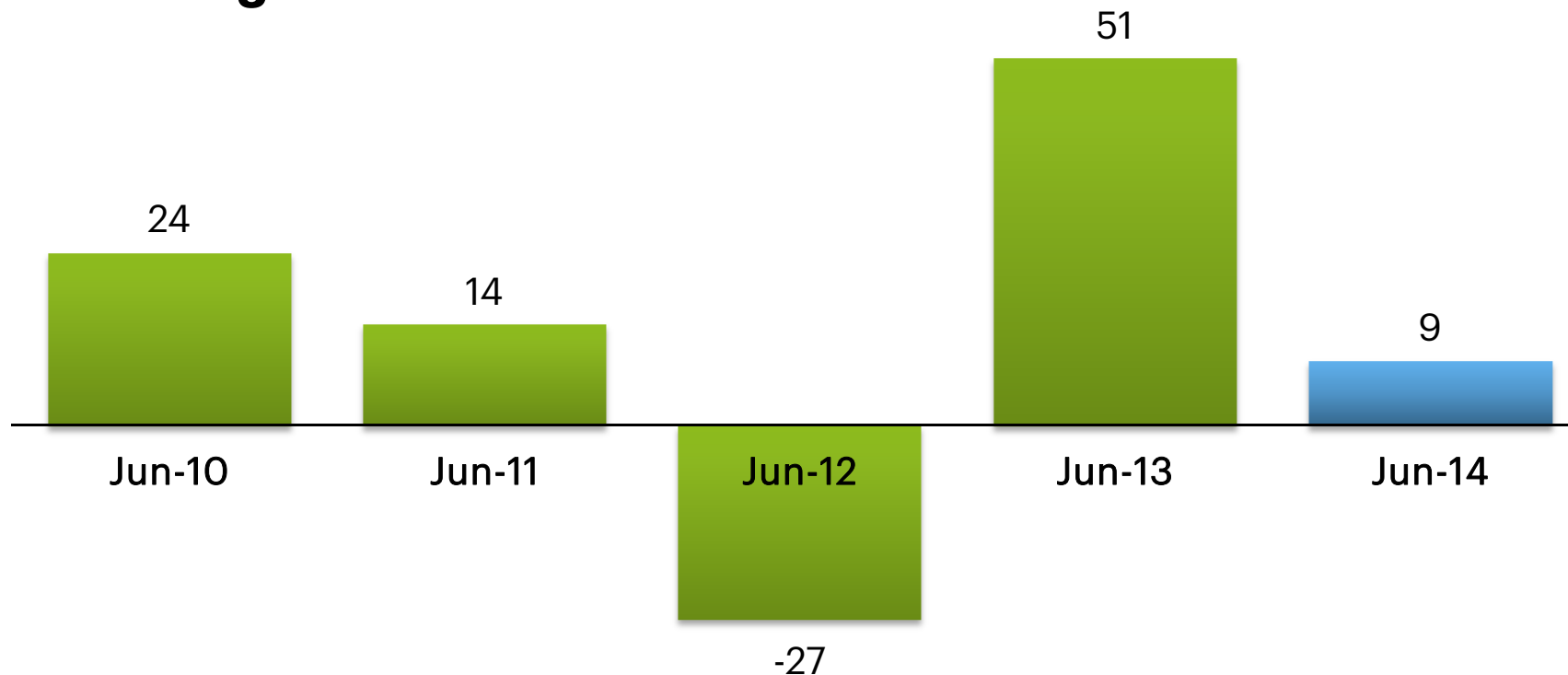


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# Total shareholder return: 9% for year to 30 June 2014

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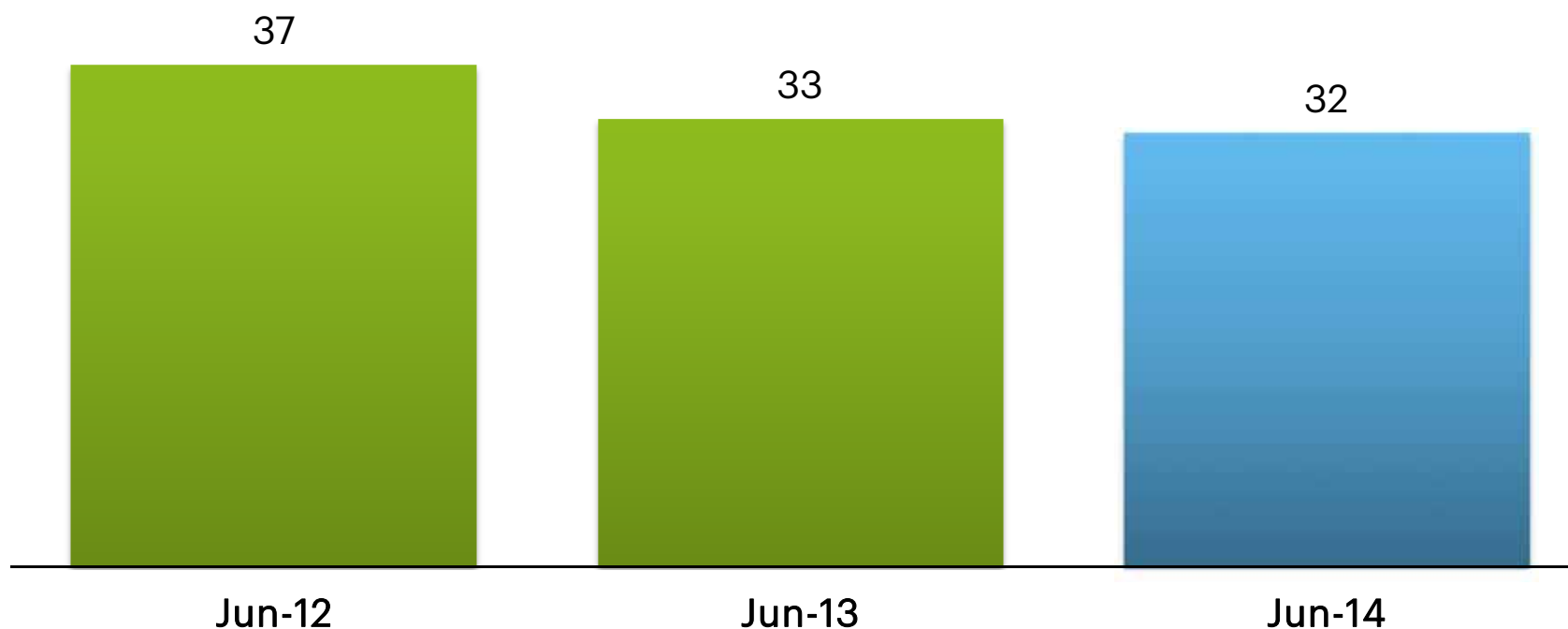
## Total Shareholder Return (TSR) Percentage



# Maintaining a strong balance sheet

**Net Debt/Net Debt Plus Equity  
Percentage**

**Gearing target range of  
net debt to net debt plus  
equity of 30% to 40%**





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# **Progress on strategic priorities**

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**Review of business portfolio: divestment of Pacific Steel and Hudson Building Supplies**

**\$25m in benefits from FBUnite**

**Expansion of NZ residential development business**

**New Formica plant in China commissioned**

**Employee development and engagement**



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# Board changes

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**Ralph Waters will retire from the board at conclusion of 2014 Annual Shareholders' Meeting**

**Sir Ralph Norris appointed Chairman to succeed Ralph Waters**



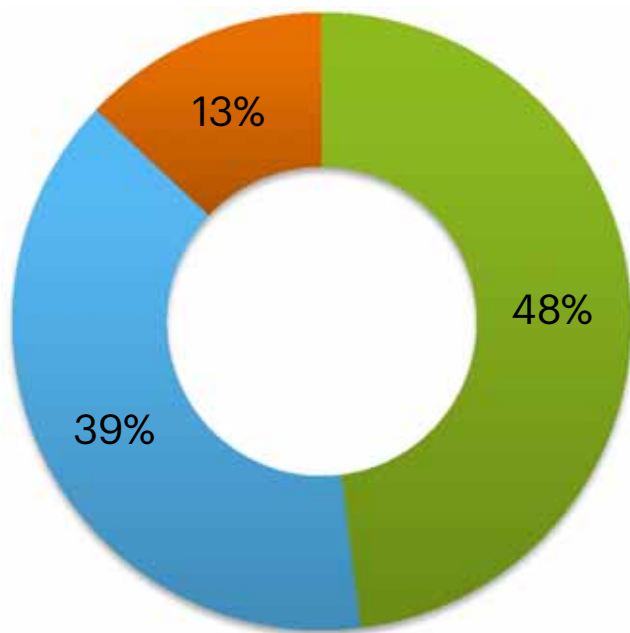
# **Mark Adamson**

## Chief Executive Officer

# Earnings mix reflects economic performance of key markets

## Revenue

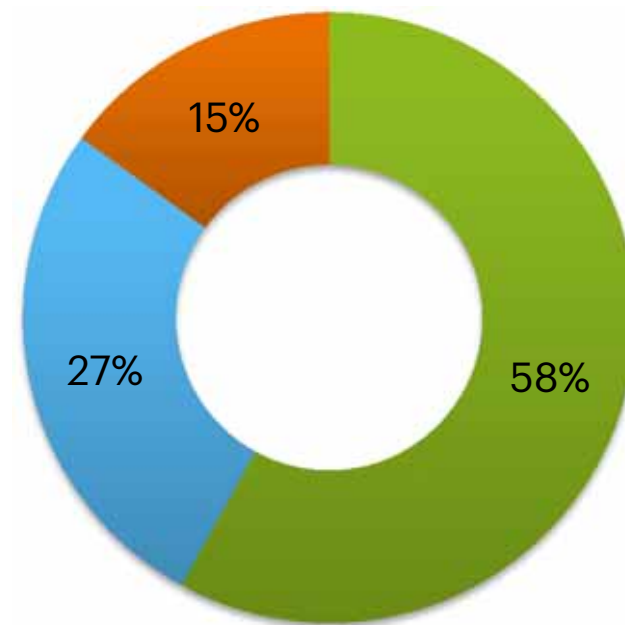
(12 months to June 2014)



■ New Zealand ■ Australia ■ Rest of World

## EBIT<sup>1</sup>

(12 months to June 2014)



■ New Zealand ■ Australia ■ Rest of World

1. Before significant items



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# Strategic priorities

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## **Productivity improvement**

FBUnite business transformation programme

## **Active portfolio management**

## **Organic growth opportunities**

## **Investment in people capability**



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# Productivity improvement through FBUnite

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## **Transforming how Fletcher Building operates**

Reducing operating cost base through centralisation of common functions

Developing future strategies and platforms for growth

Multi-year programme

**Expecting pre-tax benefits of \$100 million per annum by 2018 financial year**



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# **FBUnite**

## **2014 achievements**

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**\$25m in benefits delivered in FY2014**

**Procurement function delivered significant cost savings**

**Centralised property management team addressing 1,000 properties across New Zealand & Australia**

**Manufacturing excellence programme – establishment phase completed**

**IT and digital strategy completed**

**Financial Shared Services: deployment to be phased with ERP upgrades**



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# Managing the portfolio of business

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## **Pacific Steel sold to Bluescope/NZ Steel**

Sale followed strategic review of steel manufacturing  
Secured the future of long steel manufacturing in  
New Zealand

## **Sale of Hudson Building Supplies completed in September 2014**

**Crane Copper Tube closure – unable to compete with  
imports and product substitution**





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# Delivering growth from existing business portfolio

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## **Organic growth delivered through:**

- Market share gains
- Margin expansion
- Product innovation
- Geographic expansion

## **Capturing growth from economic cycle:**

- NZ operating earnings<sup>1</sup> up 27%
- Strong volume increases in most NZ businesses

1. EBIT before significant items



# New Zealand Residential strategy update

**Broader offering of stand-alone and terrace homes, and apartments**

**Goal to increase number of homes sold each year to 1,000**

**Land acquisition has increased in Auckland for future development**

**Stonefields development will be largely built out by end of FY15**

**New sites also contracted in Canterbury**



Fletcher Living, Stonefields



Fletcher Living, Stonefields



# Construction backlog up from \$1 billion to \$1.8 billion



Waterview Tunnel



McKay to Peka Peka



Christchurch Justice and Emergency Services Precinct



# Tradelink: Operating earnings up strongly





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# New Formica plant commission in JuiJiang, China

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**Our people.  
Stronger  
together.**



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# Investing in our people

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## **Fletcher Building Learning Academy provides targeted employee development:**

Leadership development

Sales force effectiveness

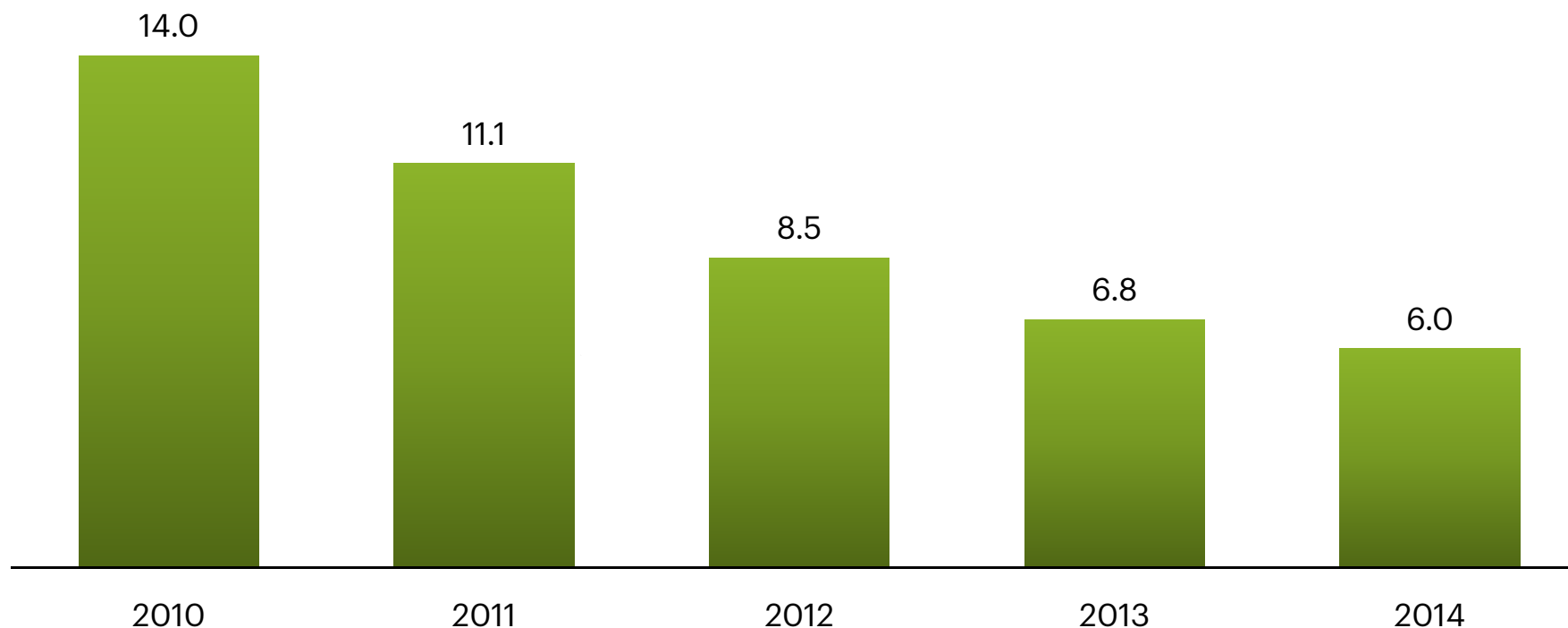
Talent assessment framework

## **FBUsay: Annual Employee engagement survey**



# Continued improvement in Safety performance

## Total recordable injury frequency rate\*



\* Total injuries per million employee and contractor hours





# Canterbury update



- **Fletcher EQR: nearing completion of 70,000 permanent home repairs**
- **Infrastructure repairs now half completed**
- **Commercial rebuild gaining momentum with Government anchor projects now starting**



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# Priorities for 2015

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**Capture growth from the cycle**

**Improve operational performance through manufacturing excellence programme**

**Further investment in lifting effectiveness of sales and marketing activities**

**Pursue further \$25 million in benefits from FBUnite**

**Improve cash generation through focus on capex and working capital**

**Active portfolio management**



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# Ralph Waters

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- **Chief Executive Officer  
2001-2005**
- **Non-Executive Director  
2005-2010**
- **Chairman 2010-2014**



# Ralph Waters

## Chairman

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# Outlook

## New Zealand and Australia

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### **New Zealand**

- Continued strong residential construction activity
- Residential consents expected to track above long term trend
- Civil infrastructure driven by ongoing government investment
- Positive trend in commercial consents will underpin non-residential sector

### **Australia**

- Improvement in stand-alone house consents will assist volumes
- Non-residential outlook less positive:
  - Declining mining investment
  - Reduced government expenditure on core infrastructure



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# Outlook

## Rest of World

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### **North America**

- Moderation in pace of new housing construction
- Commercial activity up-turn remains elusive

### **Europe**

- Modest improvement driven by stronger UK market

### **Asia**

- Further growth in South Eastern Asian markets
- China and Taiwan likely to be flat



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# Financial Outlook

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**Earnings before interest, tax and significant items expected to be in the range of \$650 million to \$690 million**

**First half earnings likely to be broadly flat on the prior corresponding period**

**Second half earnings expected to be significantly ahead of the prior corresponding period**



# Ralph Waters

## Chairman



# General Business



# 2014 Annual Shareholders' Meeting

*21 October 2014*