



Investor Day Brisbane

18 June 2015



Matt Crockett

Chief Executive Heavy Building Products

Disclaimer

This presentation contains not only a review of operations, but also some forward looking statements about Fletcher Building and the environment in which the company operates. Because these statements are forward looking, Fletcher Building's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the 2015 Half Year Results announcement, are all available on the company's website and contain additional information about matters which could cause Fletcher Building's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Fletcher Building.

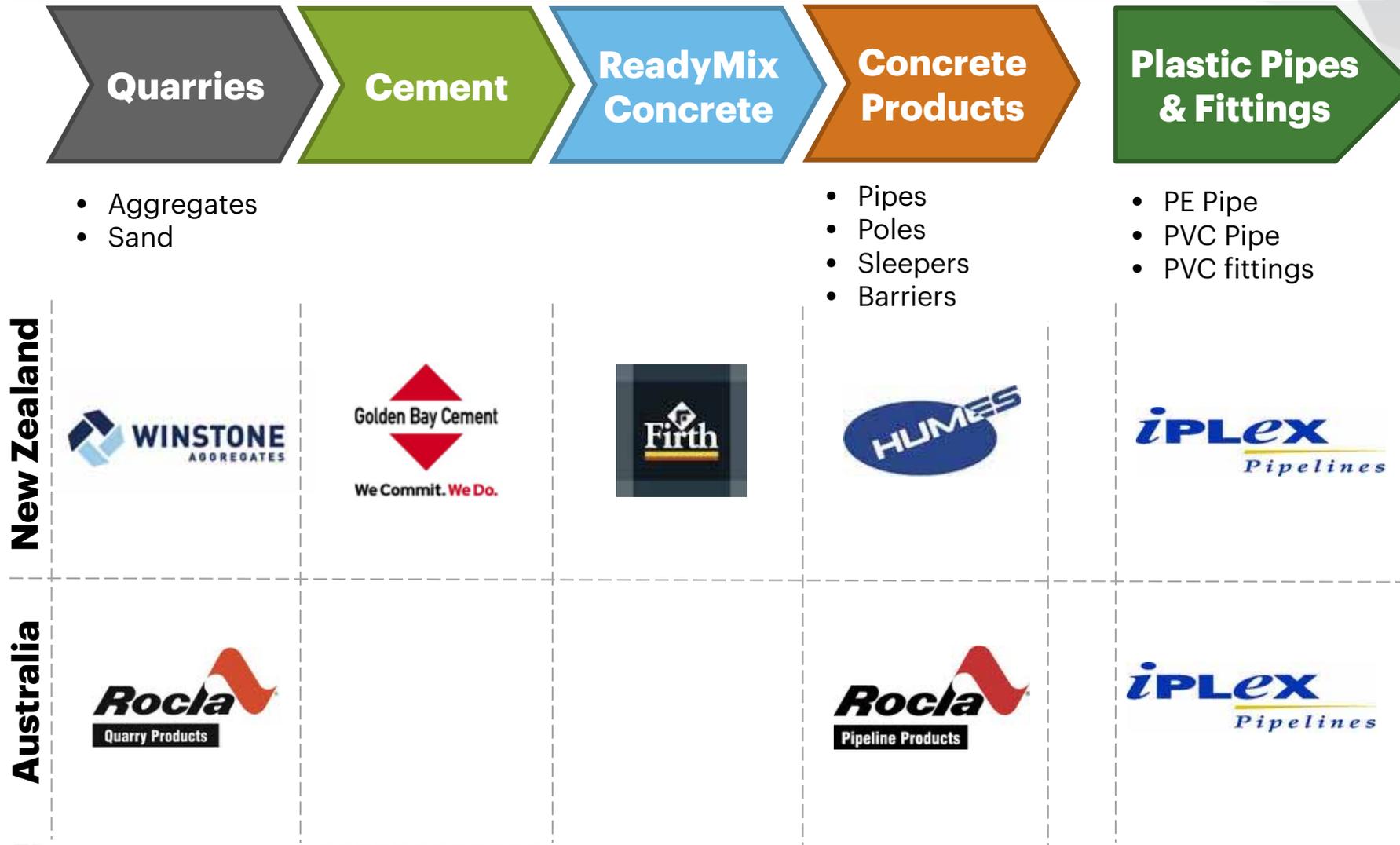


Agenda

- **Introduction**
- **Heavy Building Products overview**
- **Performance drivers and imperatives**
- **Key focus areas**
 - NZ concrete vertical - outlook & competitive dynamics
 - Returning Rocla products to growth
 - Iplex Australia turnaround



Heavy Building Products Division Overview



We are simplifying and focusing the Heavy portfolio

Businesses exited or in the process of



Disposal /Closure date

June 2014*

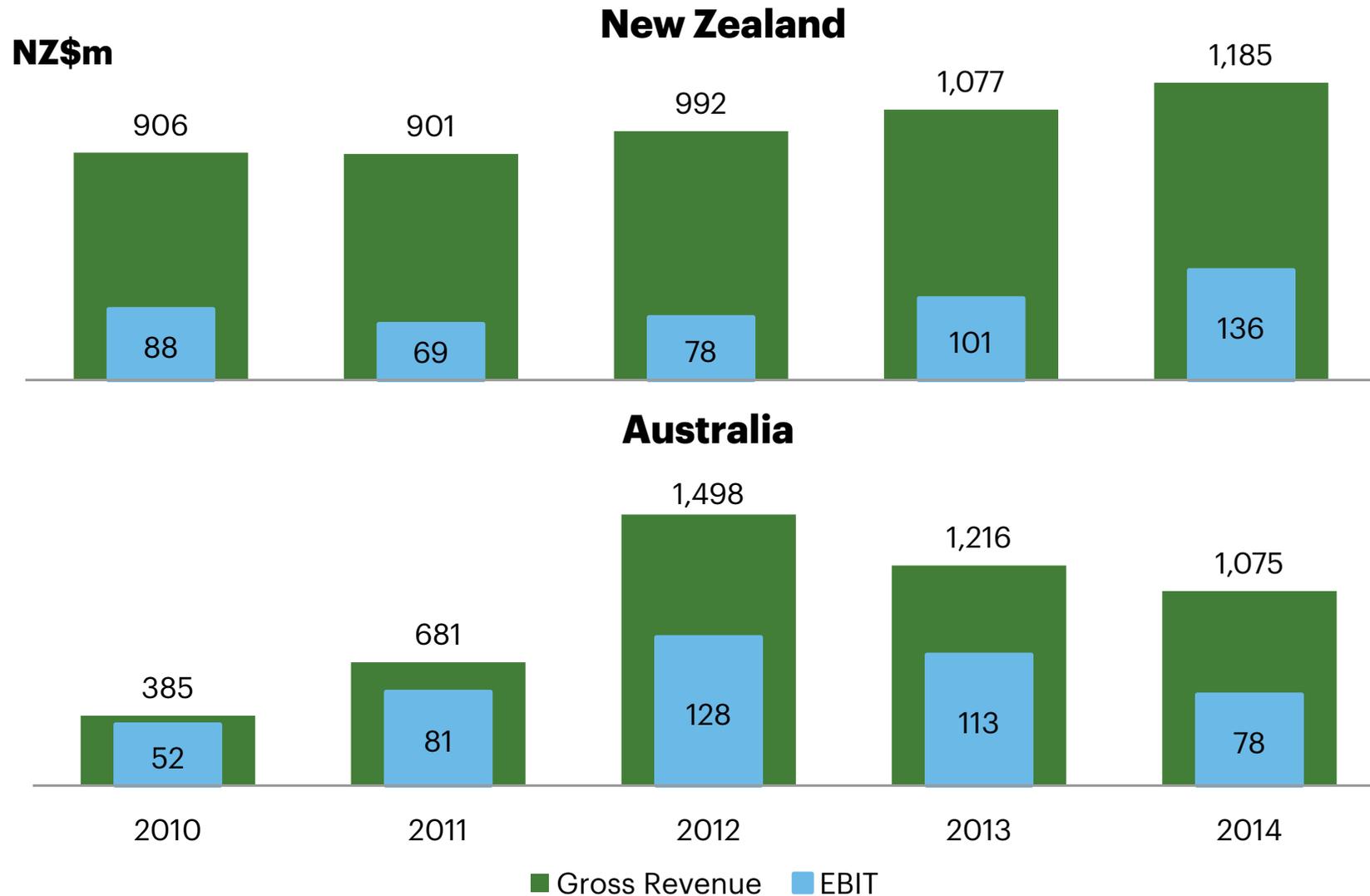


December 2014

**Profit Sharing arrangement continues until 30 Sept 2015*



In recent years NZ performance has been strong whilst Australian performance has struggled



Performance drivers and imperatives are clear in each geography - New Zealand

Performance drivers

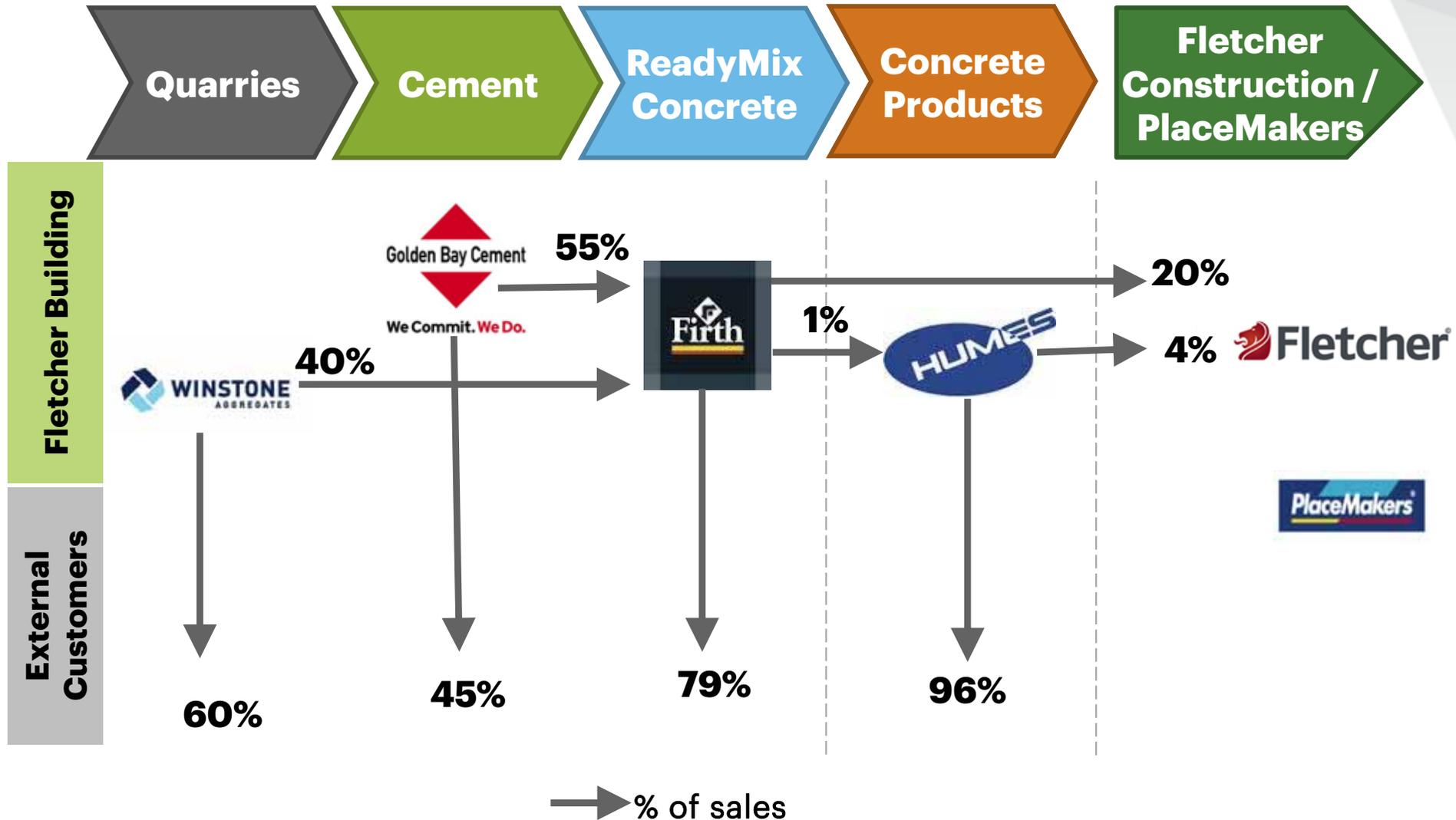
- Strong construction activity has driven volume growth
- Strong integrated and external customer position
- Growth beginning to flatten
- North/South Island cement reciprocal arrangement coming to an end

Key imperatives

- Defend and extend share in all BUs
- Improve cement/concrete pricing
- Successfully execute national cement distribution strategy and plans
- Drive operational efficiencies – maintain cost competitiveness, prepare for cycle downturn



NZ Concrete value chain – we have a strong integrated and external customer position



NZ Concrete Value Chain – market outlook

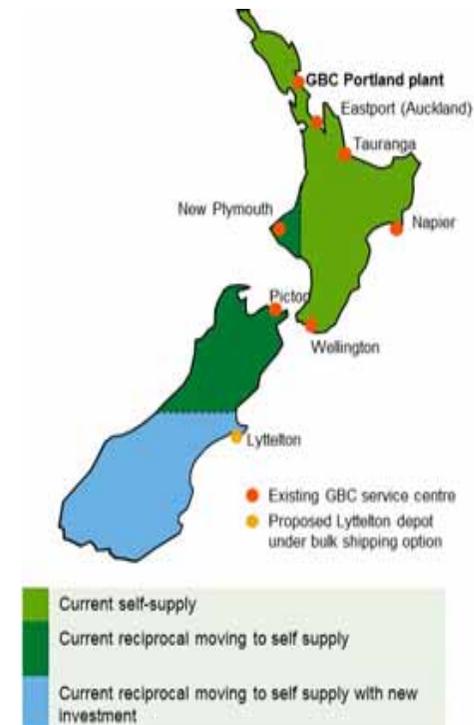
Positive but moderating growth expected

- slower new residential growth rate
- Christchurch mix of activity moving from residential to commercial
- stable infrastructure investment

Cement supply structure changing:

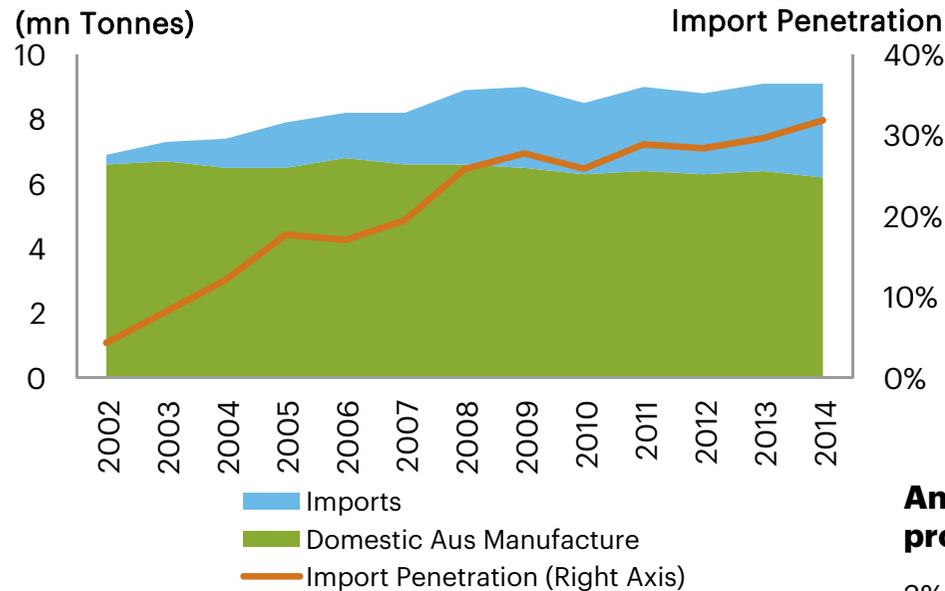
- Holcim moving to an import model
- Australian cement import experience – price stability / no erosion
- Clear benefits of domestic cement production
- GBC / Holcim reciprocal ending
- Investment made to develop competitive South Island self distribution capability

Scope for price & margin optimisation along the value chain



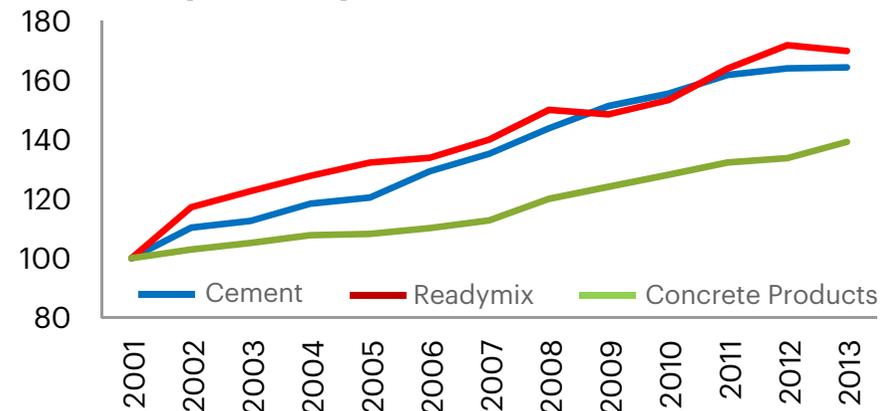
Despite a rise in import penetration, Australian cement market has been stable

Australian cement consumption, 2001-14^(a)

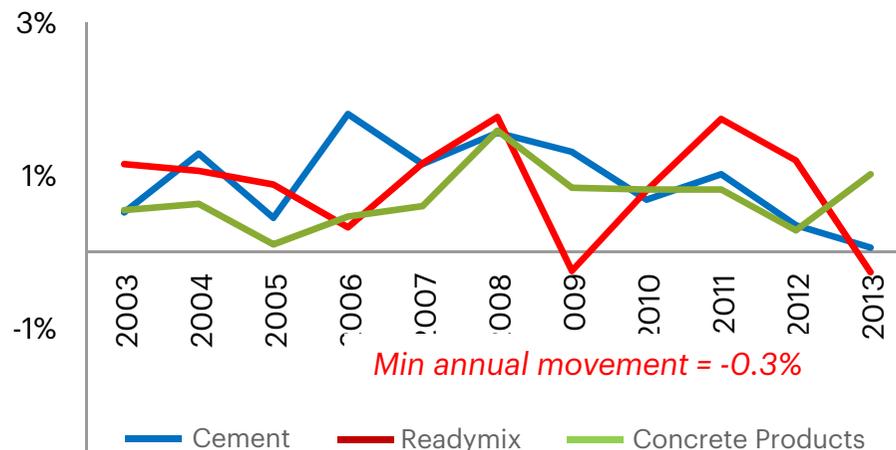


- Producer price indices for Australian cement and concrete show remarkably little volatility despite rising import penetration
- Like NZ, Aus has a historically stable cement market structure.

Australian producer price index, 2001-13^(a)



Annual average movement in real Australian cement producer price index, 2002-13



Sources: FB analysis of Australian Bureau of Statistics data Note (a): Sep 2001 = 100



Domestically produced cement offers several qualitative benefits over imports

Supply security

- Domestically produced cement is less exposed to supply chain volatility and more likely to be delivered within the customer's timeframe

Product quality and compliance

- Shorter supply times decrease the risk of moisture exposure and product spoilage
- Domestic producers better placed to provide comfort to customers regarding product compliance with local standards

Reduced working capital

- Shorter lead times and more frequent deliveries lower inventories and holding costs

Range of blends

- Domestically-produced cement can be tailored to better suit local climates and match the specification needs of their downstream customers

Marketing

- A significant minority of GBC customers will be receptive to an "NZ-made" value proposition



Performance drivers and imperatives are clear in each geography - Australia

Performance drivers

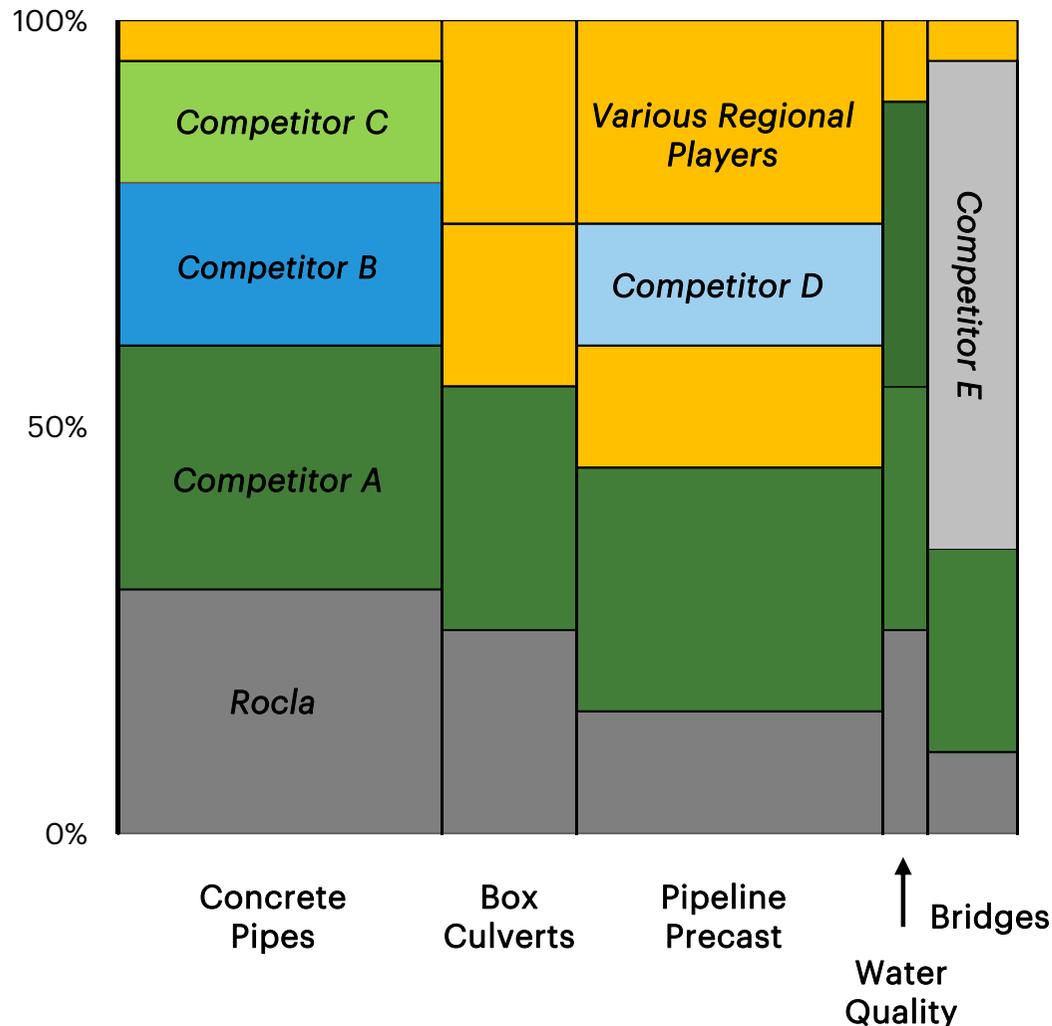
- Challenging macro-economic situation impacting investment
- Cyclical demand reductions in key concrete product segments
- Major demand shocks coupled with substantial industry overcapacity in plastic pipes

Key imperatives

- Turnaround Iplex – multiple levers
- Return Rocla Products to growth via focus on strong short-term segments
- Optimise Rocla Quarries position
- Driving operational efficiency through leveraging centres of excellence



Rocla Products remains in a strong position and can address recent challenges to return to growth



- Rocla Products maintains a strong structural position – only one or two players with strong positions in all segments
- Recent performance challenges are cyclical, driven by demand shocks/shifts in key product segments, eg electricity transmission poles, reduced public infrastructure investment
- We have clear plans to build our position in high potential product segments in the short-term
- Other segments are expected to return to growth in the medium term and Rocla will be well positioned to capture that growth at that time



Iplex Australia is facing challenging structural demand and supply dynamics

Supply Dynamics:

- Market entrants have added substantial new green and brownfields capacity over the last 3-5 years
- Most Iplex facilities at relatively low capacity utilisation
- Overcapacity most acute in the PE market but also problematic in PVC
- Increasing small diameter and fittings import supply



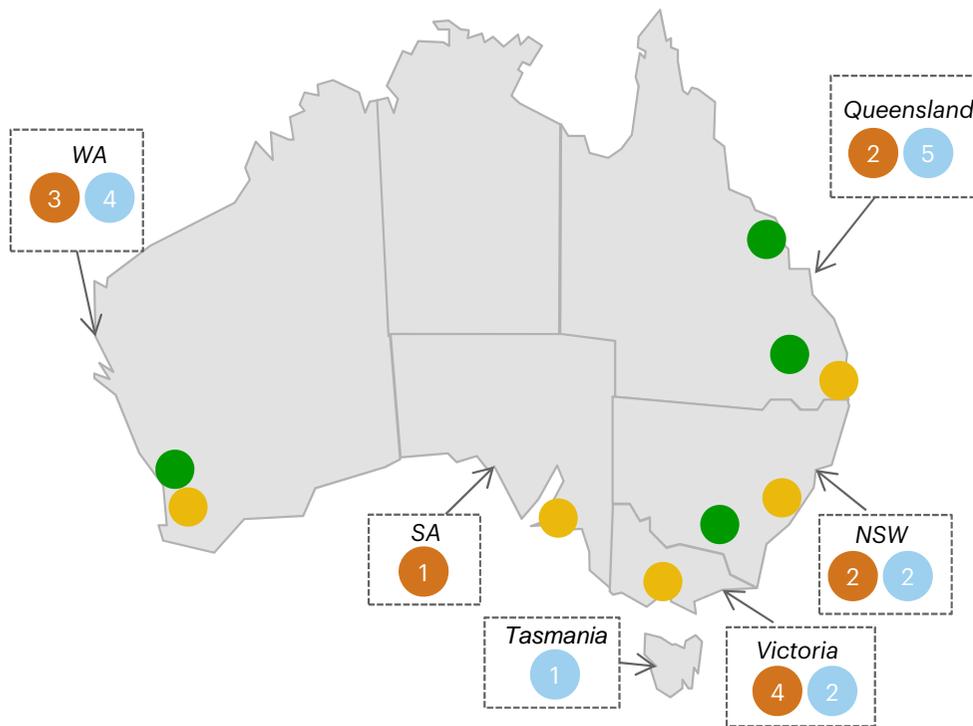
Demand Dynamics:

- Key previously high growth segment demand has reduced substantially – mining and CSG
- Iplex core strength and focus has been in these segments
- Other segments less negatively impacted but are still soft, eg civil and irrigation



Plastic pipes market structure is challenged, with many players with excess capacity

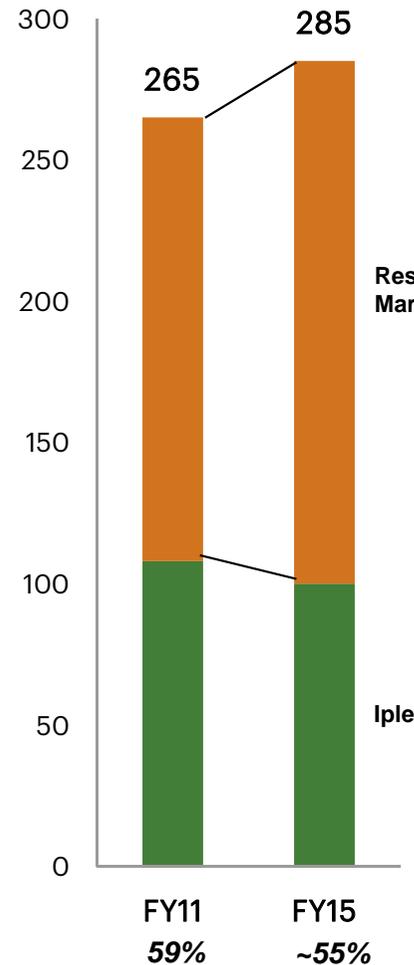
- The market, and Iplex, has too much capacity and there are competing products being brought in to the market from Asia eg: fittings
- Local manufacturers have significant spare capacity
- Smaller competitors with much lower conversion costs have a narrower range and target high volume SKUs.



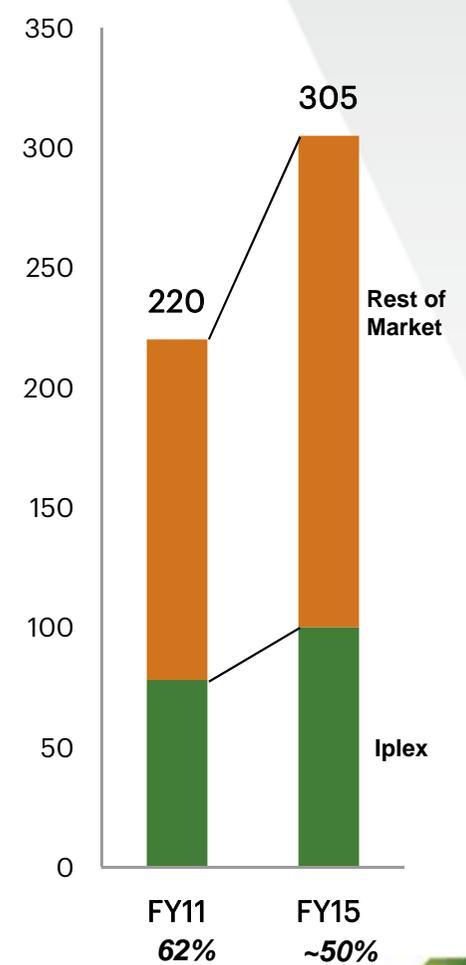
Manufacturers in Market

Iplex PE ● Other PE plants ● Iplex PVC ● Other PVC plants ●

PVC Market Capacity (Tonnes)



PE Market Capacity (Tonnes)



Utilisation:



We do believe we can improve Iplex Australia and are aggressively pulling multiple levers

- High quality experienced turnaround management team in place
- Immediate & significant cost interventions made
- Disciplined operational efficiency and right sizing programme – manufacturing capacity rationalisation in progress
- Core product line market share win-back programs in place
- Enhanced distribution strategy and partnerships including better leveraging the TradeLink relationship
- Coal seam gas sector activity re-emerging. First tender for new business underway



Clear plan of attack to return the business to profit defined and in execution, but not without risks

