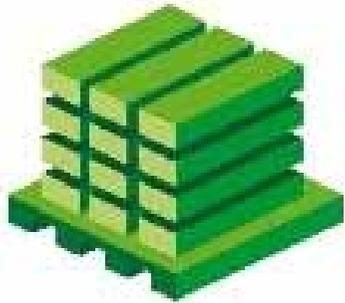




# Investor Day Brisbane

*June 18 2015*



**Dean Fradgley**  
*Chief Executive*  
*New Zealand Distribution*

---

# 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.



---

# Objectives for today's New Zealand Distribution's Investor Presentation

---

- **Provide an overview of New Zealand Distribution**
- **Outline high level strategy**
- **Share current key activities**



---

# New Zealand Distribution is a portfolio of 7 businesses within the building supplies & steel markets

---

- **1<sup>st</sup> or 2<sup>nd</sup> in their markets**
- **Operate within traditional markets**
- **Well recognised within New Zealand**
- **Well established brands**
- **At different points in their maturity**
- **Different scales of operation**



---

NEW ZEALAND DISTRIBUTION



# The Steel Distribution businesses have significant opportunity to deliver a market leading performance



Easysteel is a major New Zealand distributor, processor and fabricator of steel and related products includes the Cyclone Wire fencing and wire products

**FY14 Revenue:** \$162m

**Staff:** 190

**Key customer segments:**

- Steel fabricators
- Manufacturing
- Engineering businesses



Supplies the reinforcing steel and mesh used in concrete foundations and structures. Also provides cutting and bending services and performs on-site placement

**FY14 Revenue:** \$58m

**Staff:** 110

**Key customer segments:**

- Infrastructure construction
- Commercial construction



The pioneer of pre-painted steel products in New Zealand, Pacific Coilcoaters supplies the New Zealand markets and also exports its ColorCote® product to Australia and the Pacific Islands

**FY14 Revenue:** \$97m

**Staff:** 65

**Key customer segments:**

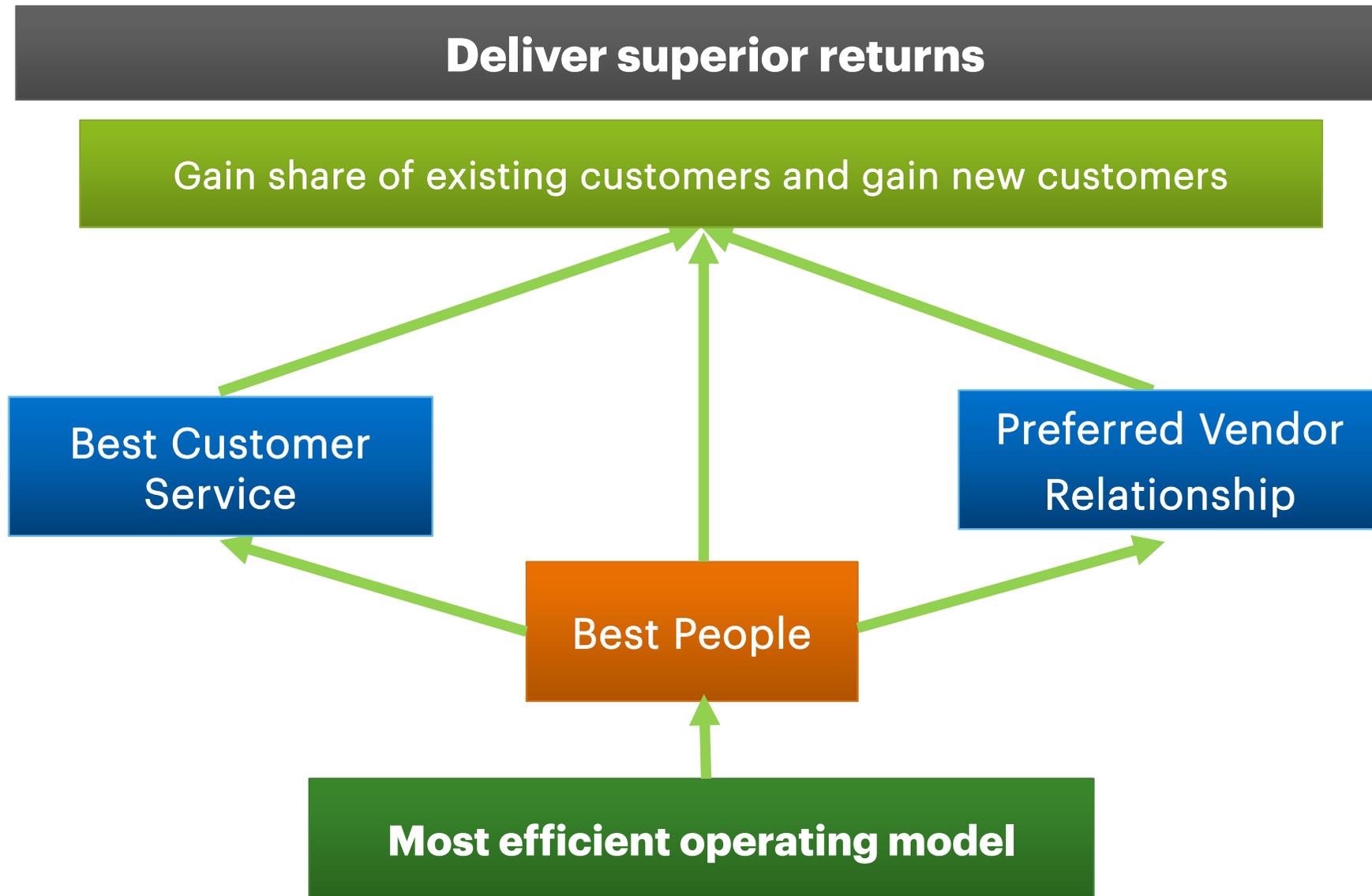
- Roofing and cladding roll formers



**Total Steel Distribution EBIT FY14 \$31m**



# New Zealand Distribution is in year two of implementing its strategy



---

# New Zealand Distribution has the potential to unlock more shareholder value

---

## Target

**Grow trading profit**

**Take increased market share**

**Ensure no one is easier to do business with**

## How

Buy better / sell better  
Gross profit realisation  
Productivity and efficient cost base

Core category penetration  
Shop within a shop concept  
Omni Channel  
Organic potential for PlaceMakers  
Mico fix and grow plumbing category

Unique selling propositions  
Lever FB service and solutions  
Focus on what we do best - SELL



# PlaceMakers: Clear strategy with disciplined execution has delivered record earnings

## People

Employee engagement at an all time high

Enhanced operator and branch capability to execute the level of change in a traditional business

## Operations

Gross margin management imperative

Reduction in operational costs

## Capital/Working Capital Requirements

\$11m - \$15m per annum to support and maintain key initiatives

ROFE growth

Free cash generation

**PlaceMakers**  
**WE PROMISE**

- 250 core trade items always in stock
- Over 100,000 products available
- 1 hour order & pick up service
- To answer your call within 30 seconds or we'll call you back within the hour
- Accurate invoicing - no surprises
- To deliver to site in full & on time or we refund the delivery fee
- To deliver your frame & truss order within the agreed time or we pay you \$200 per day

Conditions apply. Find out more in-store.

*"I guarantee it."*  
GRANT CLOSE  
PLACEMAKERS HICcarton

**PlaceMakers**

## Market Environment

Continued growth forecast through cycle

Highly competitive oversupplied landscape

## Customer

S.M.E customer engagement, retention and growth critical to margin growth

Strong growth in Group Home Builders segment

Net Promoter Score focus – obsession for advocacy

## Market Share

Auckland share is critical focus through the cycle

CVP and innovation is key. Service and solutions versus price and relationship



# Excelling in the basics will drive organic growth, with opportunities in white space categories and Omni channel

Where to win

Sell more  
Specialist  
products

Omni  
Channel

Grow core

\$300m

**Core B2B Customer Groups B2C**

## Core

- Group Home Builder
- Small Medium Enterprises
- Underperforming branches
- Share of wallet

## Specialisms & SWAS

- Kitchens
- Bathrooms
- Roofing
- Heating

## Omni Channel

- B2B priority
- NZ attacker model
- B2C halo benefit



# 'Shop within a shop' concepts are penetrating white space



# Implementation of a national service offer has differentiated PlaceMakers



-  250 core trade items always in stock
-  Over 100,000 products available
-  1 hour order & pick up service
-  To answer your call within 30 seconds or we'll call you back within the hour
-  Accurate invoicing - no surprises
-  To deliver to site in full & on time or we refund the delivery fee
-  To deliver your frame & truss order within the agreed time or we pay you \$200 per day

Conditions apply. Find out more in-store.

*"I guarantee it."*



MATT CLEAVER  
PLACEMAKERS QUEENSTOWN



Q2 '15	Q3 '15	Q4 '15	Q1 '16	Accountable
4 trial stores: <ul style="list-style-type: none"> <li>• Whangarei</li> <li>• Silverdale</li> <li>• Dunedin</li> <li>• Queenstown</li> </ul>	Roll out balance to network	NPS launch to measure customer engagement	<ul style="list-style-type: none"> <li>• Measure performance</li> <li>• Deliver outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Operators</li> <li>• Regional Managers</li> </ul>

## Trial Branches vs Control Group

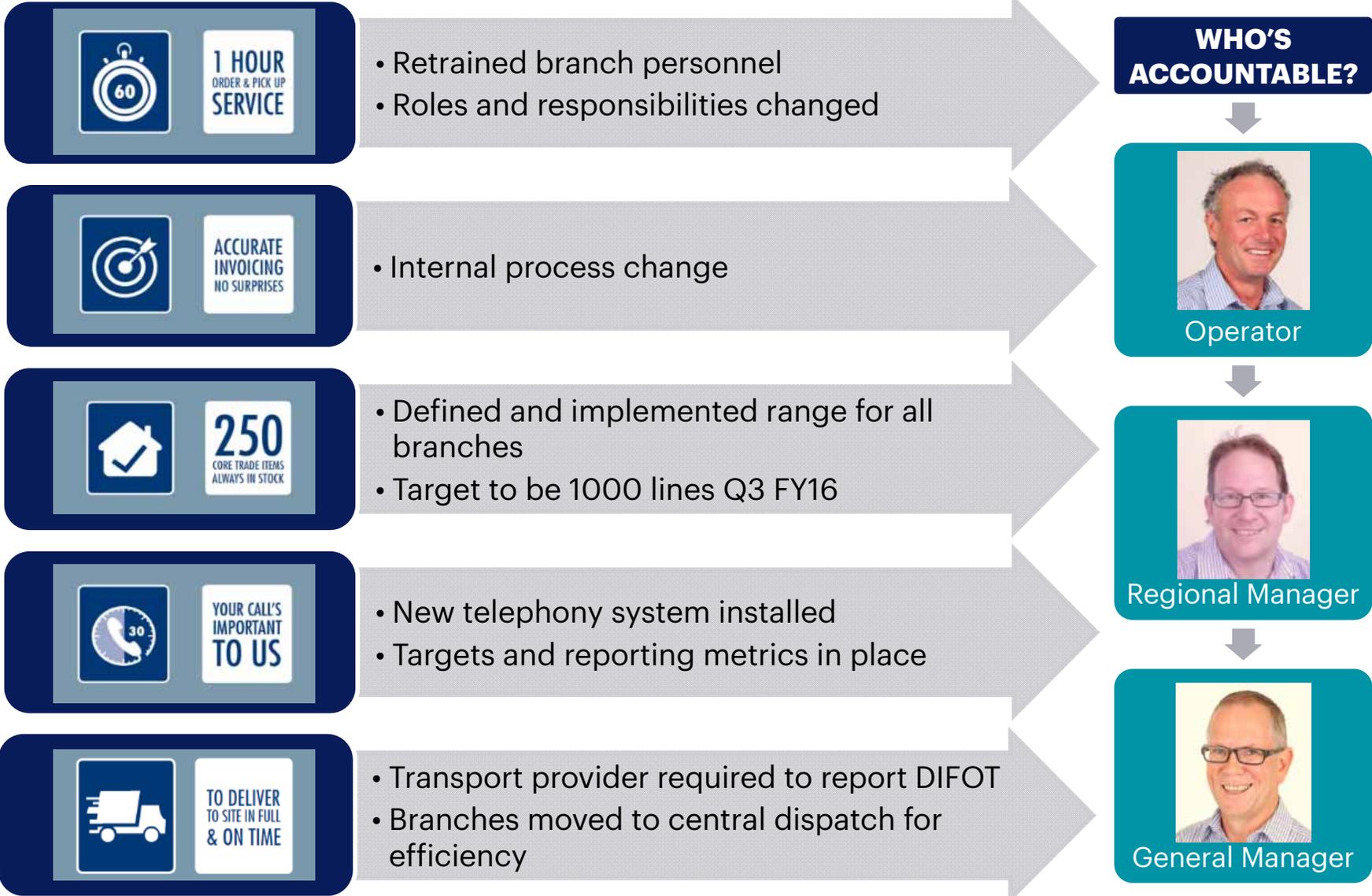
Sales	
EBIT	
Market Share	

## TARGET OPPORTUNITIES

- Improvement in telephony
- Improvement in stocking core trade items
- Accurate invoicing, record debt collection



# Significant activity and behavioural change has been required to achieve a national standard



# PlaceMakers is the only building supplies distributor that is publishing its delivery performance

## Our Customer Service Promise

We want PlaceMakers to be the easiest place for customers to do business.

 To deliver to site in full & on time or we refund the delivery fee

To make sure we know what is most important for our customers, we asked them about their wants and needs.

### Why?

Because we want our customers to know we are serious about service and are prepared to stand behind what we say.

In response to our customers' feedback, we have also made a number of business improvements to enable us to deliver against our promise.

One of our customers' key wants was to receive product in Full, On Time, and in Spec – DIFOTIS.

To ensure we are exceeding customer expectations, we actively measure how each of our branches performs against each aspect of our Customer Service Promise.

We want to provide even greater clarity around our DIFOTIS because we know getting the product in full, on time and in spec is important for our customers.

A sample of branches for DIFOTIS last month were:

1. Hamilton	99.6%
2. Wanaka	98.8%
3. Dunedin	98.6%
4. Queenstown	97.3%
5. KariKari	97.1%
6. Whangarei	96.9%
7. Waiheke Island	93.7%
8. Whitianga	93.4%
9. Auckland	92.2%
10. Christchurch	91.8%

We want PlaceMakers to be the easiest place for customers to do business.



 250 core trade items always in stock

 Over 100,000 products available

 1 hour order & pick up service

 To answer your call within 30 seconds or we'll call you back within the hour

 Accurate invoicing – no surprises

 To deliver to site in full & on time or we refund the delivery fee

 To deliver your frame & truss order within the agreed time or we pay you \$200 per day

Conditions apply. Find out more in-store.

*"We guarantee it."*

**PlaceMakers**



---

# TV activity emphasises focus on being customer leading and centred on service

---



# Increased focus on performance and measurement of operational metrics to maximise returns



CUSTOMER	Monthly Actual	Monthly Target	YTD Actual	YTD Target
No Active Customers (>\$/Qtr)	107	102		
Avg Customer Spend (>\$/Qtr)	47,531.6	52,022.5		
Pricing Credit as % Invoice	0.19%	0.36%	0.17%	0.36%
RED DOT/A Line OOS %	98.3%	100.0%	98.3%	100.0%
EMPLOYEE		Actual	Target	
* TRIFR	25.3	0		
Staff Turnover (12 Months %)			20.4%	27.0%
Absence (12 Months %)			2.2%	1.4%
Employee Expense/Sales %	7.0%	9.1%	7.9%	8.3%
OPERATIONS		Actual	Target	
% Purchase from Primary Supplier	86.4%	95.0%	82.7%	95.0%
* Sales Per FTE (000)	272.6	275.1	354.7	297.5
* System Margin Per FTE (000)	51.5	54.2	65.7	56.2
Telephony	56%	100%		



# Mico Plumbing: turnaround strategy is on track to deliver improved EBIT performance

## People

Engagement score significantly improved

Focus on leadership, recognition and communication

Increase capability in sales team focus

## Customer

Launch of the Mico Service Promise to trade customers to support trade market share growth in FY16-FY18

Mico Bathrooms re-positioned with retail / small trade customers

## Capital/Working Capital Requirements

\$2m to deliver the branch co-locations and earthquake safety compliance



## Market Environment

Competitive landscape but plumbing distributors historically have made reasonable profits in NZ

Continuing price-deflation from penetration of low-cost country sourced products

## Cost to Serve

Mico co-location with PlaceMakers to deliver property cost reduction

Employee productivity gains, reduce employee cost to serve

## Market Share

Extend and grow #1 position in BOW plumbing market +1% above market growth rate p.a.

Aggressively grow bathroom market share 2-3% above market growth rate



# Steel Distribution: a market leading customer value proposition will underpin EBIT improvement

<p><b>People</b></p> <p>Engagement scores significantly improved</p> <p>Increased people capability providing results</p>	 <p><b>LEAD TIME</b> 5 days or we pay you \$1K.</p> <p><b>DELIVERY</b> On time &amp; in full or we pay the delivery fee.</p> <p><b>STOCKED RANGE</b> Core range available in selected branches across New Zealand.</p> <p><b>TECHNICAL SUPPORT</b> All queries acknowledged same day.</p> <p><b>SERVICE/SALES</b> We answer your call in 3 rings or we'll call you back in 30 minutes.</p> <p><b>SPECIALS</b> Shout/bespoke runs available.</p> <p><b>WARRANTY:</b> Product guarantee. We make it right for you!</p> <p><small>CONDITIONS APPLY. FIND OUT MORE IN-STORE.</small></p> 	<p><b>Market Environment</b></p> <p>Weighted market growth of 5% year on year for the period built off the back of a market beating CVP</p> <p>Is a highly competitive environment, but stable players</p> <p>Growing organically faster than main competitor</p>
<p><b>Operations</b></p> <p>Leveraging the FB Operational centre of excellence</p> <p>Supply Chain Excellence to commence at NRDC in July 2015</p>		<p><b>Customer</b></p> <p>Easysteel growth better than its competitors – winning share via bespoke customer value propositions</p> <p>Reinforcing businesses has a robust sales pipeline – winning work via excellent on-site project management</p>
<p><b>Capital/Working Capital Requirements</b></p> <p>Investment in Fletcher Reinforcing to automate steel production – reduce Op ex through the cycle</p> <p>Consolidating properties throughout NZ to reduce operating costs</p>		<p><b>Market Share/Price</b></p> <p>Market plus 1% each year of the period.</p>



---

# Summary: continued progress within NZ Distribution – growing earnings through strong execution

---

## Superior returns

Customer  
leading service  
differentiation

Network  
efficiency

Establish  
Critical Areas  
of Focus

Set “what  
good looks  
like”

Reduce  
Complexity

Embrace  
Centralisa-  
tion

