

# Fletcher Building Limited

## 2015 Annual Shareholders' Meeting

*17 November 2015*



# Sir Ralph Norris Chairman

► Heavy Building Materials  
WINSTONE AGGREGATES



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## **Directors**

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**Sir Ralph Norris (Chairman)**

**Tony Carter**

**Dr Alan Jackson**

**John Judge**

**Mark Adamson (Managing Director)**

**Kathryn Spargo**

**Cecilia Tarrant**

**Steve Vamos**



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# Meeting Agenda

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## **Chairman's address**

- Overview of 2015 financial performance
- Outcome of strategic review

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

- 2015 Operational review
- Update on strategic priorities

## **Trading and financial outlook**

## **General business**

## **Voting on resolutions**



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## Net earnings before significant items rose 10%

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Net earnings

**\$270<sub>m</sub>**

▼ 20%

Net earnings

**\$399<sub>m</sub>**

▲ 10% *(before significant items)*



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## Operating earnings before significant items

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Operating earnings

**\$653m**

▲ 5% *(before significant items)*

- **Operating earnings before significant items up 5%**
- **Within guidance range of \$650m - \$690m**



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## Significant items

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### SIGNIFICANT ITEMS

Goodwill impairment	\$78m
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Site closures	\$65m
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Disposal of businesses	\$7m
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<b>Total</b>	<b>\$150m</b>
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**\$126m of significant items non-cash**



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## Cashflow from operations increased by 18%

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Cashflow from operations

**\$575<sub>m</sub>**

▲ 18%

- **Cashflow from operations \$575m an increase of \$86m from FY14 (\$489m)**
- **Increase is due to:**
  - **Growth in operating earnings**
  - **Reduced working capital requirements**

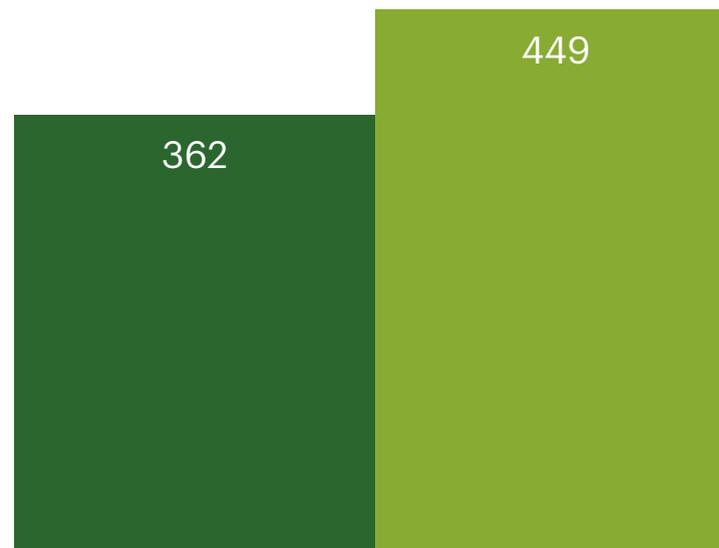


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# New Zealand operating earnings up 24% on prior year

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



New Zealand

■ 12 months to 30 June 14

■ 12 months to 30 June 15

1. Before significant items

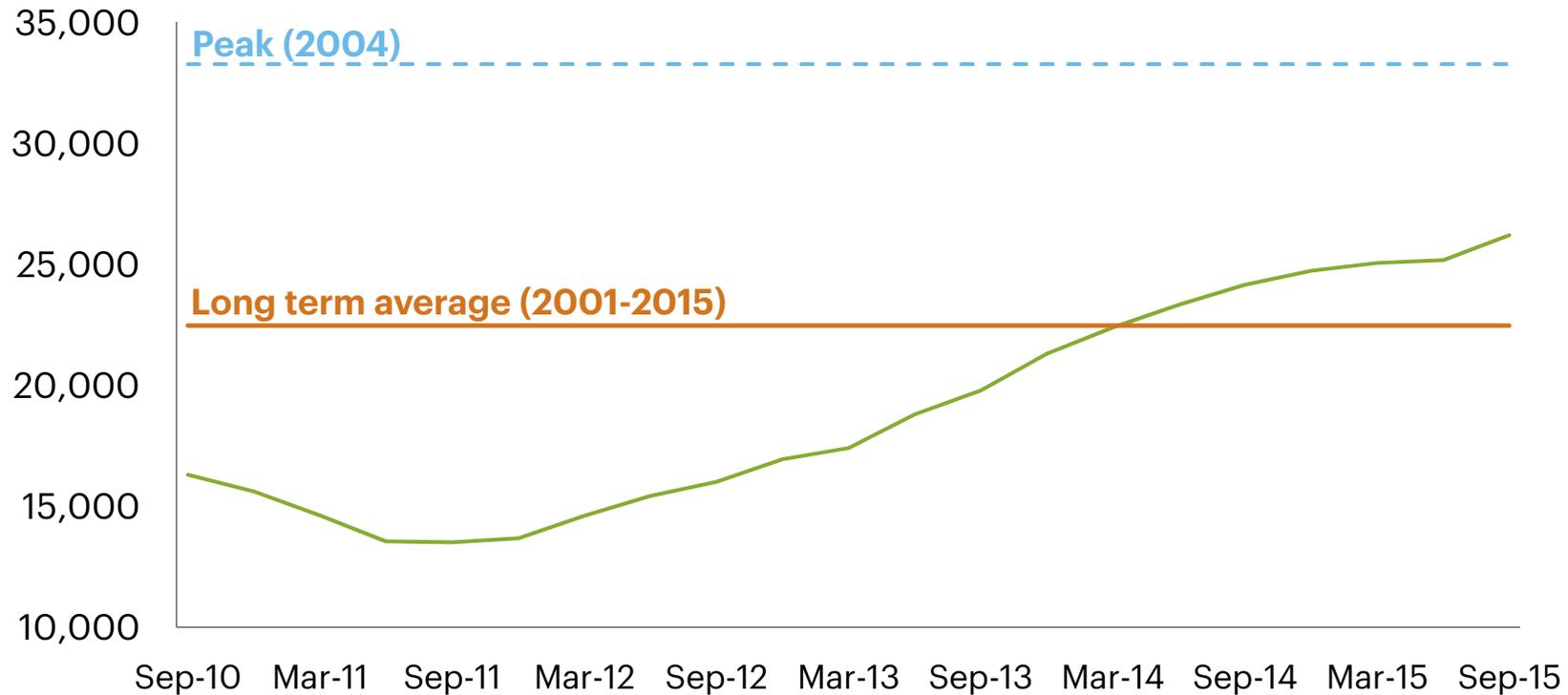


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# New Zealand residential consents up 8%

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## Total residential consents<sup>1</sup>



Source: Statistics NZ, Infometrics  
1 - Twelve months rolling

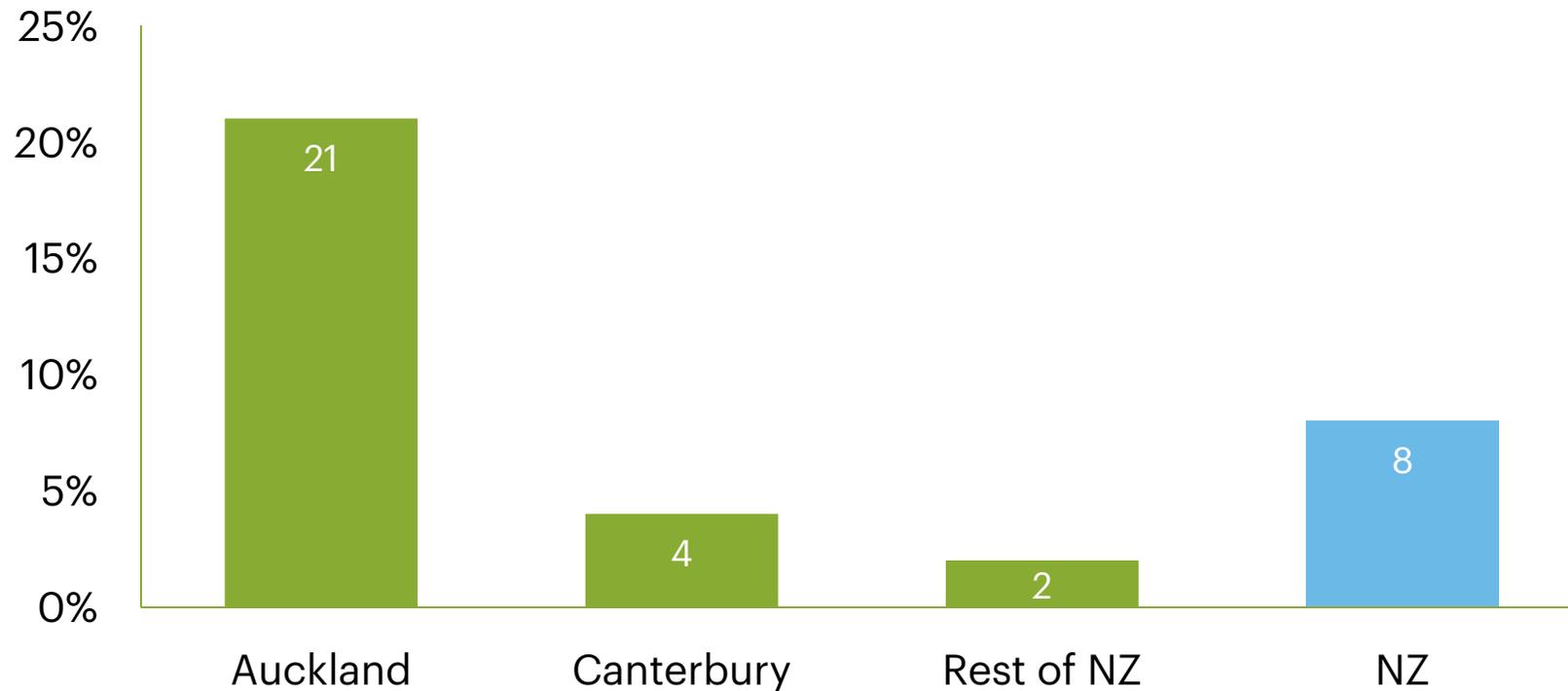


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# Growth in residential consents driven by Auckland region

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## Change % year on year



Source: Statistics NZ, 12 months to June 2015

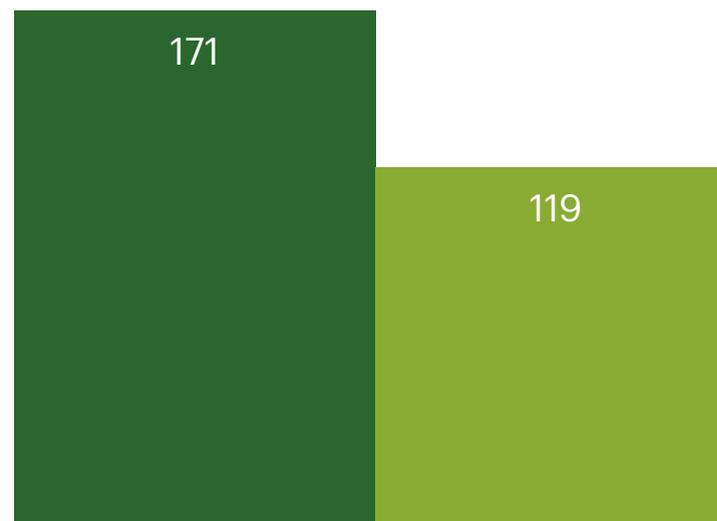


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# Australian operating earnings down 30%

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



Australia

■ 12 months to 30 June 14

■ 12 months to 30 June 15

1. Before significant items

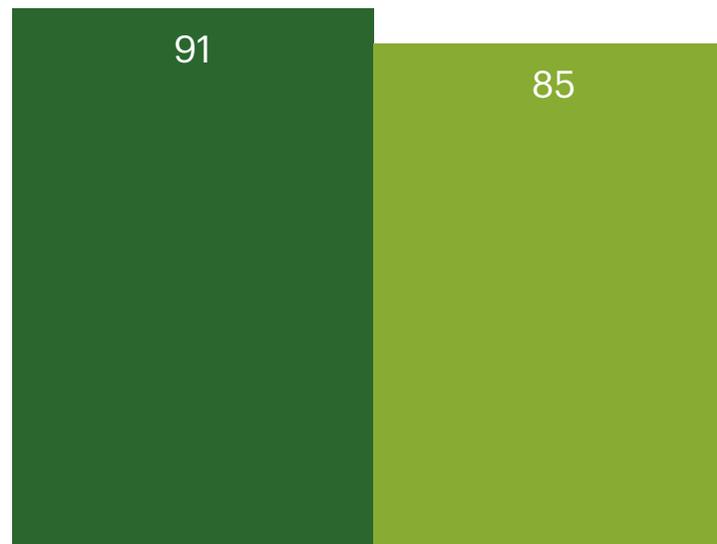


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## Rest of World operating earnings fell by 7%

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



Rest of the World

■ 12 months to 30 June 14    ■ 12 months to 30 June 15

1. Before significant items



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## Dividend

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Dividend per share

**37<sub>c</sub>**

▲ 3%

### DIVIDEND

Final dividend per share	19 cents
Total dividend for the year	37 cents

**Dividend Policy:** Target pay-out range of 50 to 75% of Net Earnings

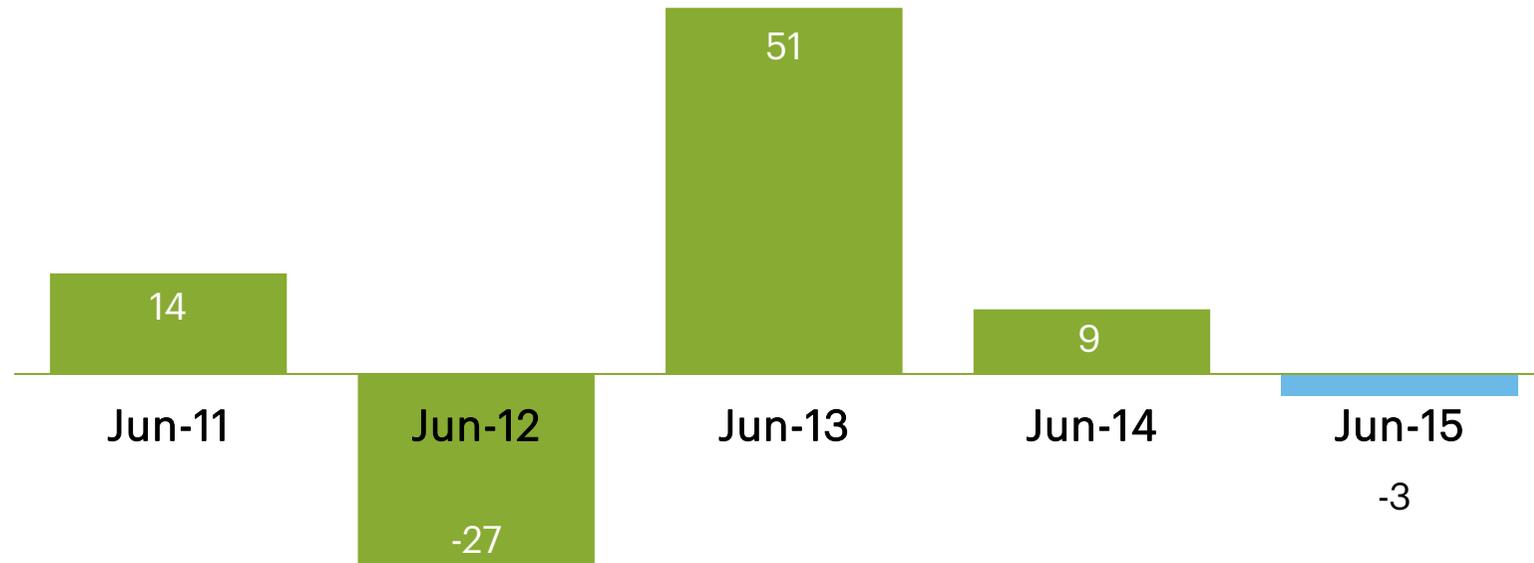


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# Total shareholder return – average of 17% p.a. over past 3 years

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## Percentage

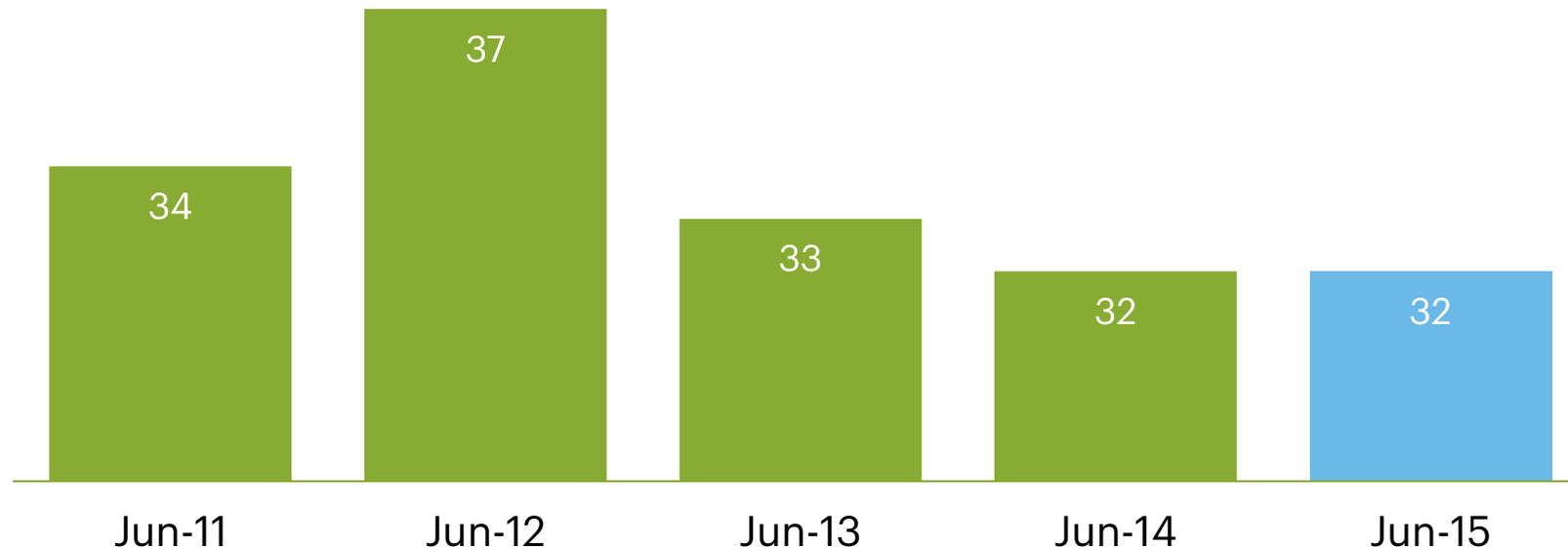


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## Maintaining a strong balance sheet

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### Debt/Debt Plus Equity Percentage



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

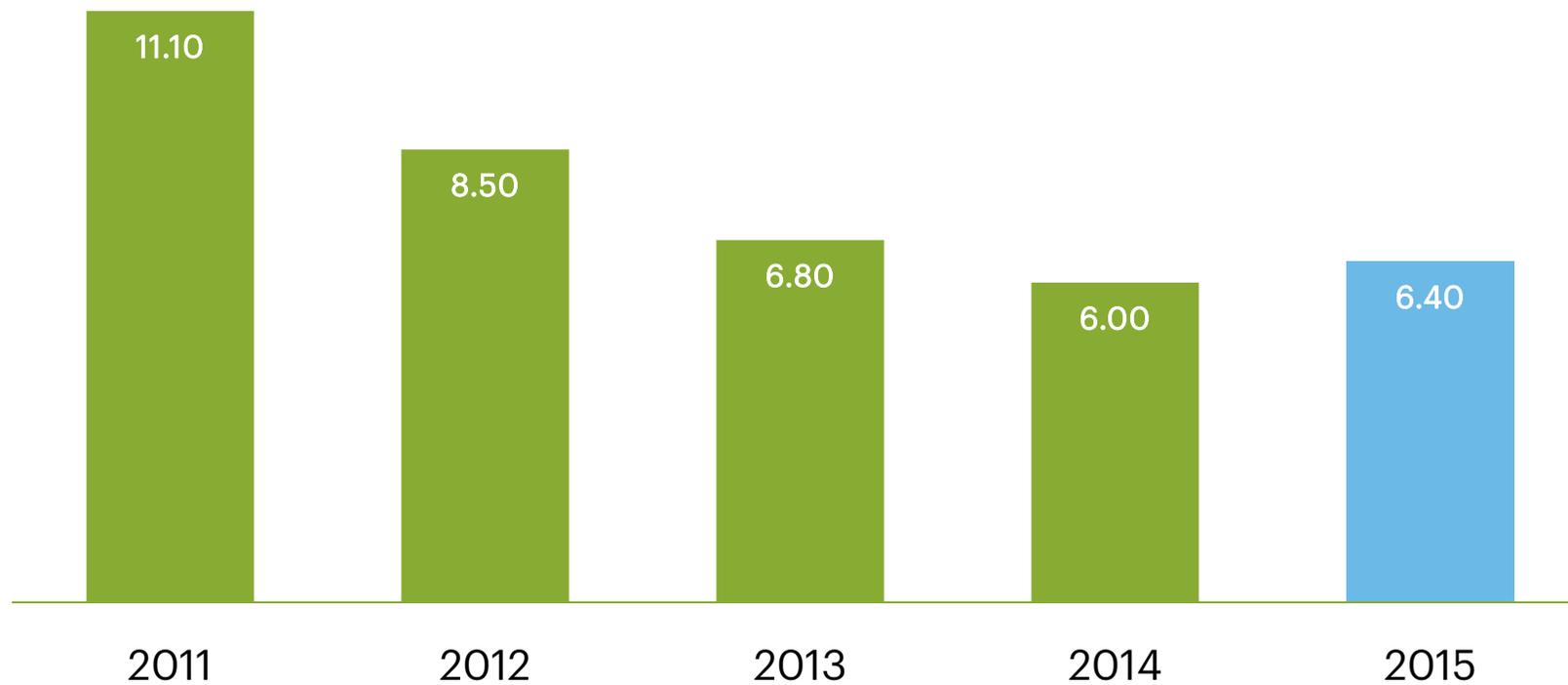


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# Health and safety performance

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## Total recordable injury frequency rate\*



\* Total injuries per million employee and contractor hours



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## Progress on strategic priorities

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- **Review of business portfolio: divestment of Rocla Quarry Products announced in August**
- **Identification of a number of opportunities to grow organically:**
  - NZ residential development business
  - Construction in NZ and South Pacific
  - Trade Distribution in NZ and Australia



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# Management changes

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**Dean Fradgley**  
*CE, Distribution  
NZ & Australia*



**Francisco Irazusta**  
*CE, Light Building  
Products*



**John Bell**  
*Chief Information  
Officer*



**Matt Crockett**  
*CE, Heavy Building  
Products*



# Mark Adamson

## Chief Executive Officer

► Construction  
INFRASTRUCTURE



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## Full year highlights: New Zealand

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### Volume Growth

- NZ Cement ▲ 9%
- NZ Concrete Products ▲ 7%
- NZ Concrete ▲ 14%
- NZ Steel Distribution ▲ 17%
- NZ Steel Reinforcing ▲ 20%
- Plasterboard ▲ 7%
- Windows & Doors ▲ 11%



Golden Bay Cement, Auckland



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# Full year highlights: Canterbury

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## Progress

- Over 65,000 permanent repairs completed
- Extension of home repairs programme for a further 12 months from April 2015



Proposed masterplan illustration, Christchurch

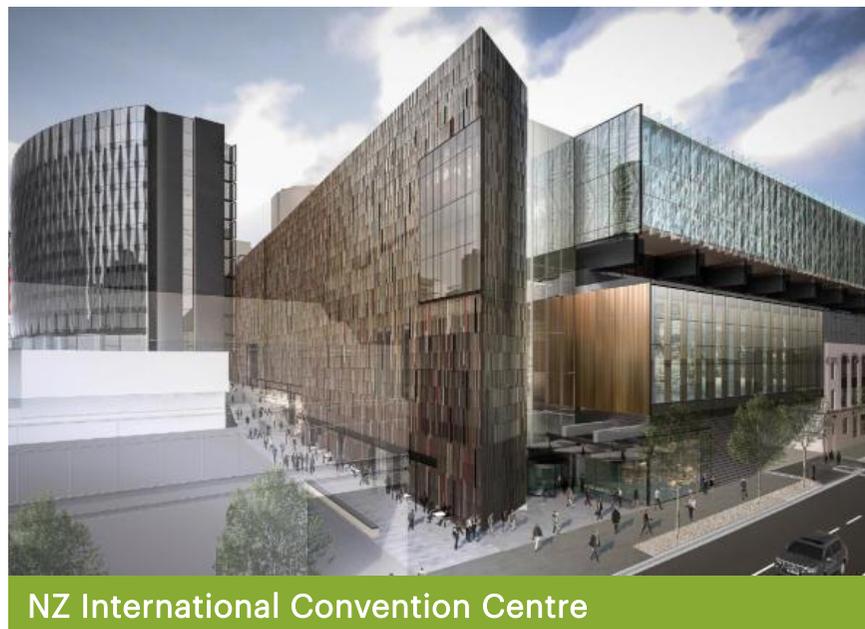


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## Full year highlights: Residential & Construction

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- Homes sold ▲35%
- Concluded 3 development partnerships in Christchurch
- Construction: awarded \$1.4bn of new contracts during the year



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## Full year results: Australia

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- Iplex impacted by loss of coal seam gas pipe volumes
- Insulation volumes ▲22%
- Laminex Operating Earnings ▲30%



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# Full year highlights: FBUnite

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## Further Progress

- \$50m of benefits delivered in total to 30 June 2015
  - Procurement \$35m
  - Property \$10m
  - Financial shared services \$5m
- Operational excellence initiatives are expected to offset annual inflation, estimate \$50m p.a.



**People**



**Innovation  
and growth**



**Performance  
excellence**



**Efficiency**

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## We are focused on 4 strategic priorities

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**People:** Create a great place to work



**Customers:** Deliver what they value



**Efficiency:** Work smarter together



**Profitable growth:** Invest where we can win





## People: Create a great place to work

Organisational  
Design

Leadership

Talent

Culture

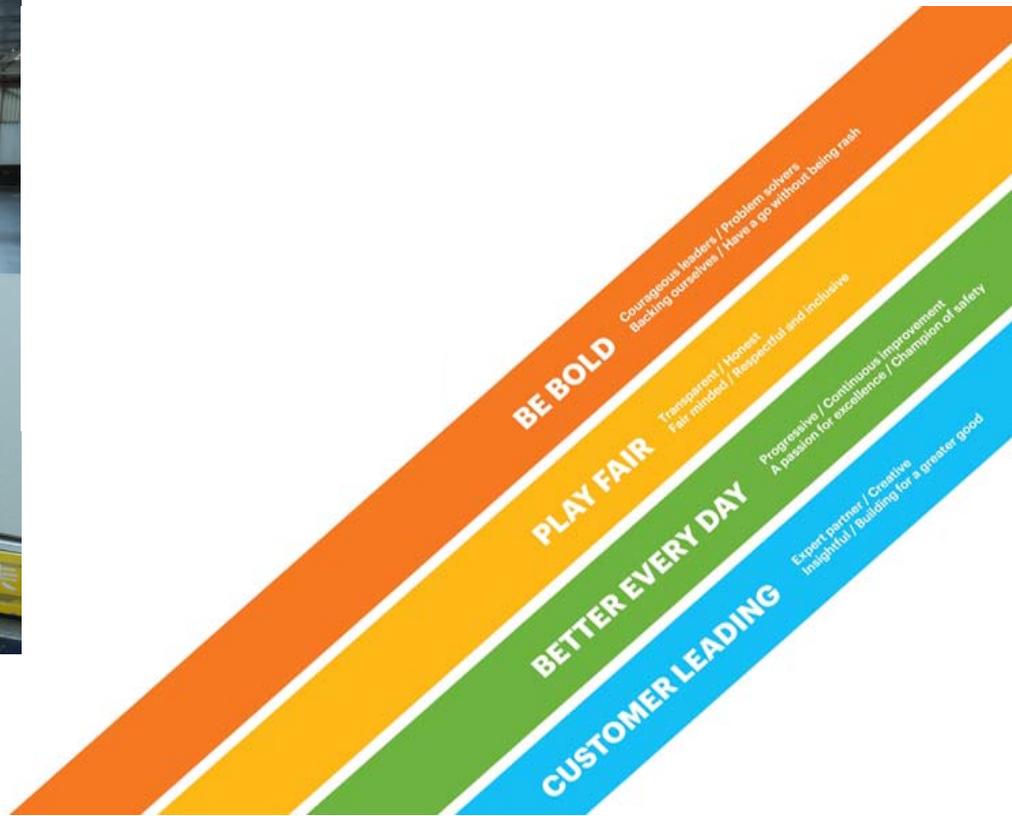
- **Simplified organisation structure: fewer, larger business units**
- **Delivered a learning curriculum to over 7,000 employees globally**
- **Talent regeneration has created strong succession pool for leadership roles**
- **Women in leadership – a 73% increase in female GM's since 2012**
- **Annual employee engagement survey completed by over 17,000 staff**



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# Vision and values launched in 2015

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## Customer: Deliver what they value

- **Focusing on providing complete, end-to-end solutions**
- **Product innovation a key growth driver**
- **Increased use of online tools for pre-purchase decisions & custom design**
- **Sales and marketing excellence programme**

**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





## Efficiency: Work smarter together

- **FBUnite programme established core capabilities**
- **Management has scoped out the potential of each business unit**
- **External diagnostic “top-down” assessment undertaken**
- **Identified further opportunities to drive value from the core**
- **Programme will exceed the \$100m in benefits originally in scope with FBUnite**





## Profitable growth: Residential

- Record year with operating earnings of \$66m
- Goal is to increase new homes sold to 1,500 p.a. over next few years
- Increasing focus on master planned community with mix of apartments, terrace and stand-alone houses
- Expect to invest \$160m (net) in land purchases in FY16

**Fletcher Living**



Stonefields



Greenhithe





## Profitable growth: Construction

- **Number of new contracts secured, with a contracted order book now standing at \$3.4 billion**



Cancer Treatment Centre, Tauranga



Sir John Guise Stadium, PNG





## Profitable growth: Distribution

- **PlaceMakers achieved record retained earnings**
- **Mico plumbing & bathrooms: loss making 2 years ago, strongly profitable this year**
- **Excellent progress in lifting performance in Tradelink**
- **Growth from customer solutions focus and expanded product ranges**
- **Investment in online and omni-channel platforms**



# Sir Ralph Norris Chairman

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## Outlook FY16

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### New Zealand

- Residential construction activity expected to continue at above average levels
- Net migration and Auckland housing demand key drivers
- Commercial construction should track the upward trend in consents
- Government infrastructure spending expected to remain at current levels

### Australia

- Residential activity may slow from recent peak levels especially in the multi-dwelling segment
- Non-residential expected to remain subdued, especially mining, resources and infrastructure sectors



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## Outlook FY16

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### North America

- **Activity levels in residential and commercial should remain broadly consistent with prior year**

### Europe

- **Continued mixed conditions expected with a weak economic outlook**

### Asia

- **Further growth in South-East Asia, China to likely remain highly competitive**



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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 lower than the prior corresponding period due to:**
  - Timing of construction earnings recognition
  - Lower residential earnings, and
  - Restructuring costs in Formica Europe and Tradelink



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# General Business

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**make.**

MANUFACTURE AND SUPPLY

**deliver.**

MERCHANT DISTRIBUTION

**build.**

CONSTRUCTION



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