

## Fletcher Building confirms strategy and operating model and announces Executive Team appointments

**Auckland, 21 June 2018:** Fletcher Building today confirmed its strategy, which is designed to improve financial and operating performance by focusing its portfolio on the New Zealand and Australian markets and introducing a simpler and leaner operating model.

Fletcher Building CEO Ross Taylor said: "Fletcher Building is currently one of the most diversified building materials companies in the world, with operations spanning multiple geographies, sectors, value chains and product lines.

"As we announced to the market in April, we have made the decision to focus our portfolio by divesting our Formica and Roof Tile Group businesses and focusing our capital and capability behind the New Zealand and Australian markets.

"While we don't expect these markets to experience the same levels of growth they have seen in recent times, we do expect them to remain stable, and with only 15 per cent share of the New Zealand market and 1 per cent in Australia<sup>1</sup>, there is plenty of opportunity to deliver more from our existing operations.

"In New Zealand our focus will be on growing our core operations in building products and distribution, leveraging our strong positions in the concrete value chain and residential construction, and returning construction to sound operating performance by closing out remaining Building + Interiors (B+I) projects within provisions, and profitably growing our infrastructure and roading businesses.

"We will leverage global trends in product, service and channel innovation to deliver more value for our customers right across our portfolio. Taking one example, with our planned investment in a new panelisation plant in Auckland, we will aim to deliver homes more efficiently for a supply-constrained market.

"In Australia we are targeting a significant improvement in the operating and financial performance of our existing businesses, and in time, we will seek to expand our portfolio as we have done in New Zealand through targeted acquisitions.

"We see the strategy being delivered over three broad stages. In FY19 we will focus on stabilising and turning around our existing businesses, while divesting Formica and Roof Tile

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<sup>1</sup> Sources: FBU Management estimates, Infometrics WPIP, BIS Oxford Economics (Residential, Non-Residential Work Done), ABS (Value of Engineering Work Commenced)

Group. By FY20 we should be well positioned to deliver solid performance across the portfolio, and from FY21 onwards we want to be achieving strong revenue and earnings growth year on year.

“With successful implementation of the strategy we aim to deliver above-market revenue growth and improved operating margins over the medium term.”

To enable the new strategy Fletcher Building will target investment behind its most strategically important and highest returning businesses; increase its focus on innovation; pursue improvements in procurement, operational efficiency and working capital; and introduce a simpler and leaner decentralised operating model.

The new operating model will be introduced on 1 July 2018 and will reduce overheads across the group by \$30 million per annum, empower businesses at the front line and deploy a new divisional structure that will align businesses to the new strategy.

The changes to structure have resulted in a number of new appointments to the Fletcher Building Executive Team<sup>2</sup>, which will also be effective from 1 July 2018:

- Dean Fradgley, currently Chief Executive Distribution, has been appointed to the newly created role of Chief Executive Australia. All Australian businesses will now sit within this one division.
- Bruce McEwen, currently General Manager of PlaceMakers, will join the Executive Team as Chief Executive of Distribution New Zealand, which includes PlaceMakers and Mico.
- Ian Jones, currently General Manager GBC Winstone, will join the Executive Team as Chief Executive of the newly created Concrete Division, which includes Golden Bay Cement, Winstone Aggregates and Firth.
- Hamish Mcbeath, currently General Manager Fletcher Steel, will join the Executive Team as Chief Executive of the newly created Steel Division, which includes all the Company's New Zealand steel businesses.
- David Thomas will continue as Interim Chief Executive of the revised Building Products Division, while a permanent replacement is recruited.
- Steve Evans will continue as Chief Executive of the Residential Division.
- Michele Kernahan will continue as Chief Executive of the Construction Division.
- Claire Carroll has been permanently appointed as the Chief People and Communications Officer.
- All other corporate function Executive roles remain unchanged.

There is no change to the estimated FY18 EBIT for the Group (excluding B+I and significant items) of \$680-720 million and no change to the estimated B+I FY18 EBIT loss of \$(660) million announced on 14 February 2018.

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<sup>2</sup> See Appendix for new Fletcher Building organisational structure

The FY18 result is likely to include a number of significant items including restructuring charges associated with the implementation of the new operating model (a charge of between \$85-\$95 million), a gain on the sale of Fletcher Building's 20 per cent stake in the Dongwha processing plant through Laminex New Zealand (a gain of approximately \$12 million), and a likely impairment of the carrying values of the Rocla and Roof Tile Group businesses. Fletcher Building's financial results for the year ending 30 June 2018 will be announced on Wednesday, 22 August 2018.

An announcement regarding the changes to the Board will be made on Friday 22 June 2018.

Macquarie Capital has been appointed as advisor to Fletcher Building on the divestment of the Formica Group.

**#Ends**

### **Media Teleconference and Webcast**

Fletcher Building CEO Ross Taylor and CFO Bevan McKenzie will host a teleconference and webcast for media at **10.00am NZT today (8.00am AEST)** to provide more detail on this announcement. Details are set out below.

**Webcast:** <https://edge.media-server.com/m6/p/adamnqiy>

### **Teleconference Passcode: 113918**

Australia Toll Free:	1 800 558 698	Hong Kong:	800 966 806
Australia Local:	+61 2 9007 3187	Japan:	0053 116 1281
New Zealand Toll Free:	0800 453 055	Singapore:	800 101 2785
NZ Local (Auckland):	+64 9 929 1687	UAE:	8000 3570 2705
NZ Local (Wellington):	+64 4 974 7738	United Kingdom:	0800 051 8245
NZ Local (Christchurch):	+64 3 974 2632	United States:	(855) 881 1339

### **Investor Day Webcast**

A presentation of the new strategy will be made to investors today in Sydney, at **9.00am AEST**. You can watch the webcast live at the following link: <https://edge.media-server.com/m6/p/86dp6vrk>

For further information please contact:

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Appendix: Fletcher Building Organisational Structure and Executive Appointments, effective 1 July 2018

- Operating Divisions
- Exits
- Supporting Functions

