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Fletcher Building confirms FY20 annual results

Auckland, 19 August 2020: Fletcher Building today announced its audited annual results, confirming a net earnings loss for the year ended 30 June 2020 (FY20) of $196 million compared to a profit of $164 million in the year ended 30 June 2019 (FY19). The Group also confirmed strong operating cash flows of $410 million and ended the year with a strong balance sheet with liquidity of $1.6 billion.

Summary:

- Final results in line with market announcement of 11 August 2020
- Revenue of $7,309 million
- EBIT before significant items $160 million
- Net Loss After Tax of $196 million, compared to a profit of $164 million in FY19
- Strong cash flows of $410 million
- Balance sheet strong with liquidity of $1.6 billion and net debt of $0.5 billion
- Nil dividend

Fletcher Building CEO Ross Taylor said: "Fletcher Building's FY20 performance was characterised by the impacts of COVID-19 and the actions we took to ensure we were well positioned to successfully navigate the market uncertainty in FY21 and beyond. Prior to March 2020, the business was trading in line with expectations and making good progress with operating efficiencies. The subsequent lockdown in New Zealand and restrictions in Australia had a significant impact on our FY20 revenues and profitability.

"Our focus through this period has been on three key areas: the health and safety of our people; enhancing the resilience of our business by managing our costs, cash flows and balance sheet; and ensuring we stay focused on strong customer performance and delivering our strategy.

"We have been unwavering in our commitment to health and safety. We are driving positive change in our safety culture through our company values and a genuine belief that all workplace injuries are preventable. In FY20 serious injuries reduced from 15 to 8 and we had no fatalities. While our Total Recordable Injury Frequency Rate (TRIFR) 5-year trend continues downward, our FY20 rate was slightly up from last year. This only strengthens our commitment and focus on preventing all injuries.

"Anticipating lower market activity ahead, we have taken some difficult but decisive actions to reset the cost base of the business. We expect these actions to deliver a permanent reduction in our cost base in FY21 of approximately $300 million per annum. Significant items in respect of this restructuring, along with one-off charges in our Rocla business and from the early repayment of our USPP debt, have totalled $276 million in FY20. We have sized our business for a market downturn of around 25 percent in New Zealand and around 20 percent in Australia, although there is a high degree of uncertainty over the outlook. We will be looking hard at the trends in activity over the next few months and will be ready to adapt and respond if needed.

“As already announced, we decided to raise a further $150 million provisions against our historical construction projects. While this was disappointing, Fletcher Construction, through a reset of bid margins and disciplines now has a $2.4 billion forward-order book of new work with a materially better margin outlook and lower-risk profile.

“Pleasingly, our operating cash flows in FY20 have remained robust at $410 million, supported by effective working capital management in a disrupted period. We have also preserved strong liquidity and funding lines. Our leverage ratio remains below the bottom end of our target range, we have total available funding of $2.1 billion as at 30 June 2020, and liquidity for the Group was $1.6 billion. In addition, we pre-emptively renegotiated covenants with our lenders to enable us to rely on more favourable terms for covenant testing through to the end of 2021, should we need to.

“As a result of the actions we have taken, our business is well-positioned to continue to drive its strategy and performance improvement. We will continue key investments in our digital and innovation strategies, while also taking opportunities to grow our market share either in our existing product lines or in logical adjacencies. With our strong balance sheet, we expect the tougher market will present better opportunities to achieve our aspirations and overall strategies.”

In line with the Company’s Dividend Policy, the Board has not declared a final dividend for FY20.

#Ends

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