Fletcher Building announces HY24 Results

Auckland, 14 February 2024: Fletcher Building Limited today announced its financial results for the first half of FY24.

- Revenue of $4,248 million, down 1% from $4,284 million in HY23
- EBIT before significant items of $264 million, down 27% from $360 million in HY23
- EBIT margin of 6.2%, down from 8.4% in HY23
- Net Loss After Tax of $120 million (incl. $180 million flagged legacy provisions and $122 million non-cash write-down on Tradelink) compared to Net Profit After Tax of $92 million in HY23
- Underlying trading cash flows robust on good working capital management offset by legacy cash impact

Fletcher Building chief executive Ross Taylor said: “Against the backdrop of materially weaker trading conditions, particularly in the NZ residential sector where volumes declined 20%, Group revenue of $4,248 million was in line with the prior period’s $4,284 million. EBIT before significant items was $264 million, compared to $360 million in the prior period. The Group reported a net loss after tax of $120 million, compared to a profit of $92 million in the prior period. Disappointingly, the result was heavily impacted by the $165 million significant items provision on the New Zealand International Convention Centre announced on 5 February and a $122 million non-cash impairment and write-down on the Tradelink Australia business.”

In New Zealand, revenue for the materials and distribution divisions (Building Products, Concrete and Distribution) was 8% lower than HY23. However, this compares to overall market volumes which were 15% lower compared to HY23. The market decline was driven primarily by the residential sector, which weakened by around 20%, to which these divisions have a 60% exposure.

Mr. Taylor said: “In a more challenging trading environment, the New Zealand materials and distribution divisions performed solidly. Gross margins remained robust at 29.3% (HY23: 30.3%), with the reduction versus HY23 primarily due to a shift in revenue mix towards the lower-margin commercial and infrastructure sectors. The divisions proactively managed price and costs to help offset increased competitive intensity and ongoing inflationary pressure.

“For our Residential and Development division, the house sales market was a relative bright spot in New Zealand, with improved buyer activity, especially first-home buyers, and a stabilising of house prices after 18 months of decline. Fletcher Residential increased EBIT to $41 million (HY23: $33 million), with 419 units taken to profit compared to 189 in HY23.

"A particular highlight of the half was the performance of the Australian division which delivered EBIT and EBIT margin broadly in line with HY23 despite a softer market. Effective price disciplines and a shift toward higher-margin products saw the gross margin lift to 33.1% (HY23: 31.9%) and overhead costs were 3% lower than the prior period.

"A full review of the Australian Tradelink® business over the half year combined with disappointing results led to a $122 million non-cash impairment and write-down in its carrying value. We have concluded that whilst we believe there is a compelling opportunity for Tradelink, further ownership of the business is not in line with the strategic objectives of Fletcher Building. Consequently, we intend to commence a divestment process for Tradelink shortly.

"Cash flows from operating activities for the Group were an outflow of $126 million, compared to an outflow of $203 million in the prior period. The materials and distribution divisions produced strong first half trading cash flows of $253 million compared to $206 million in HY23, driven by good working capital management and despite the lower earnings.

"Regarding the ongoing Perth plumbing issues, our testing and expert reports on causation continue to show that that the leaks are caused by installation failures and that there is no manufacturing defect. We remain committed to developing a workable and appropriate industry solution.

"Given the current market conditions, the expected legacy cash outflows and in line with the Company's dividend policy, the Board has made the prudent decision to not declare and pay an interim dividend in order to maintain our balance sheet settings.

"As we look ahead to the remainder of the year, we expect FY24 Group EBIT before significant items to be in a range of $540 million to $640 million, with the mid-point assuming a continuation of current market conditions for the balance of FY24."

"Finally, I would again like to express my appreciation to our dedicated team for their hard work and commitment, to our customers for their trust and loyalty, and to our shareholders for their ongoing support."

#Ends

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