Fletcher Building Market Update

Auckland, 13 May 2024: Fletcher Building Limited (the "Company") today provides a trading and market update.

Current market conditions

Market conditions across the Company's Materials and Distribution[1] divisions have weakened throughout FY24. In New Zealand, market volumes to date in 2H24 have moved ~5% lower than 2Q24, and in Australia market volumes to date in 2H24 are ~10% lower compared to 2Q24.

There has also been a notable slowdown in house sales in the New Zealand market and an end to the house price momentum seen through the first half of FY24.

Trading update and outlook

At the Interim Results in February 2024, the Company provided guidance for FY24 EBIT before Significant Items to be in the range of $540 million to $640 million. The mid-point of the Company's guidance range assumed a continuation of market volumes and house sales run-rates broadly in line with those seen in 2Q24.

As a result of the trading conditions in 2H24, the Company now expects lower FY24 earnings. The Company's updated guidance is for FY24 EBIT before Significant Items in a range of $500 million to $530 million inclusive of $10 to $15 million of restructuring costs related to cost out initiatives. The variability within the range is driven by May and June being two of the largest trading months for the Company.

Although all of the Material and Distribution divisions have experienced softer revenues due to the market conditions, the Company's updated guidance is primarily driven by the following areas:

- Challenging conditions in the Distribution division given its exposure to the residential sector, which has resulted in intense price competition. The Distribution division's market share has stabilised in 2H24; lower pricing has been required to achieve this, resulting in lower gross margins;
- A sharp correction in the Australian residential market leading to a forecast ~10% revenue decline for the Australian division in 2H24 compared to 2Q24; and

[1] Materials and Distribution divisions = Concrete, Building Products, Distribution and Australia

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- A combination of weaker revenues and gross margin pressure in certain Building Products businesses, notably Iplex NZ and Steel, where end markets have been particularly soft.

Although we continue to observe solid performance by some business lines within these divisions, these trends are not sufficient to offset the broader declines affecting our business.

The Concrete division has demonstrated resilience, delivering stable revenues and improved gross margins so far in 2H24, notwithstanding ongoing contraction in market volumes and price competition intensifiying. Its performance reflects market share gains and a strategic refocus on commercial and infrastructure sectors.

In addition, in a slowing housing market, Residential & Development has continued to perform well and continues to expect ~900 units taken to profit for the full year. The Construction divison's earnings are improved reflecting the rebalancing of the order book to a lower risk profile and strong execution in the Brian Perry Civil business.

The Company remains strongly focused on the sustainable reduction of both fixed and variable costs, with overhead cost control particularly strong.

The Company expects market conditions to remain challenging in both New Zealand and Australia in the near term and continues to look for opportunities to manage costs against that backdrop.

Balance Sheet and Cash Flows

The Company remains focused on securing robust cash flows. Good working capital disciplines have meant that trading cash flows (excluding legacy construction projects) are robust. The Company expects further significant trading cash inflows in the May-June period, driven by: the seasonally higher trading months in the Materials and Distribution divisions; and settlement of house and industrial land sales in Residential & Development.

The Company expects that Net Debt at 30 June 2024 will be in a range of $1.9 billion to $2.0 billion. The Company's liquidity profile remains robust, with $2.8 billion of debt facilities in place and liquidity at 30 June 2024 is expected to be $0.8 billion to $0.9 billion.

Acting CEO Commentary

Acting CEO Nick Traber said, *"Given the current conditions, our focus has been on managing things within our control, in particular: customer service; costs and margins; cash flows; capital allocation; funding; and closing out the remaining legacy construction projects.*

"Fletcher Building has many strongly positioned core business assets that have demonstrated resilience in current market conditions. Our immediate priorities are to optimise the performance of each of our businesses, close out legacy issues and tightly manage risks to maximise our ability to deliver shareholder value. Our people are integral to achieving this and I would like to thank each of them for their ongoing efforts as we navigate the tougher market environment."

Conference call to be held today

Fletcher Building management will host a Q&A briefing **today, Monday 13 May 2024 at 12:00pm NZST / 10:00am AEST** to discuss today's announcement. Participants can register for the conference by navigating to the following link: https://s1.c-conf.com/diamondpass/10039019-nrtiv0.html

Upon registration you will be provided with the dial in number, passcode, and your unique access PIN. To join the conference simply dial the number and enter the passcode followed by your PIN, and you will join the conference instantly.

#Ends

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