Fletcher Building Reports FY24 Results

Auckland, 21 August 2024: Fletcher Building Limited ("the Company") today announced its audited financial results for the year ended 30 June 2024 (FY24).

- Group revenue from continuing operations of $7,683 million, flat YoY with higher revenues in Residential and Development and Construction, offset by significantly lower revenues in materials and distribution divisions
- EBIT before significant items from continuing operations of $509 million compared to $785 million in FY23 and within guidance range
- EBIT margin from continuing operations of 6.6%, compared to 10.2% in FY23
- Significant Items of $333 million from continuing operations (mainly FCC legacy provisions and Higgins impairment) and Tradelink net loss of $141 million (discontinued operations, including impairments)
- Group Net Loss After Tax of $227 million, compared to Net Profit After Tax of $235 million in FY23
- Strong trading cash flows from continuing operations and excluding legacy projects and significant items of $784 million, compared to $537 million in FY23
- Cash flows from operating activities of $398 million compared to $388 million in FY23

Fletcher Building Acting CEO Nick Traber said: "Against the backdrop of slowing demand, and inflationary and competitive pressures, Fletcher Building's businesses have demonstrated resilience. Despite the challenges, the focus of the business has been on optimising our operational performance and tightly managing the things within our control. These focus areas include costs, cash, capital expenditure, extending the tenor of our debt facilities and obtaining more favourable terms for covenant testing, selling Tradelink and resolving outstanding legacy issues.

"Market volumes declined materially in FY24. In New Zealand, market volumes fell 25% and, in Australia, market volumes fell 15%, each compared to the first half of FY23, resulting in substantial revenue declines in our materials and distribution businesses. Offsetting this, despite a tough housing market this year, our New Zealand residential business sold 886 units, compared to 617 in FY23. Combined with higher revenues in the Construction division, Group revenue from continuing operations for the year was $7,683 million versus $7,679 million in FY23.

Fletcher Building Limited, Private Bag 92114, Auckland 1142, 810 Great South Road, Penrose, Auckland 1061, New Zealand

"Our focus on costs in the softer market has been a key priority across the Group. Gross overhead cost reductions for the year were $111 million, offsetting the impact of overhead inflation of $91 million and restructuring costs of $16 million. We also adjusted the implementation of our capital expenditure programme to the current market environment, with base capex reduced and in-flight growth projects reviewed and rephased.

"Earnings before interest and tax (EBIT) for continuing operations and before significant items, was $509 million, down 35% from $785 million in FY23. The Group EBIT margin before significant items from continuing operations, softened in FY24 to 6.6%, from 10.2% in FY23.

"Disappointingly, total significant items for continuing operations for FY24 were $333 million. This was primarily due to a $117 million non-cash impairment and write-down in the carrying value of the Higgins business, and the $180 million additional provisions required on our legacy Construction projects announced at HY24.

"After factoring in the Tradelink discontinued operations, we recorded a net loss after tax of $227 million, compared to net earnings of $235 million in FY23. Our return on funds employed (ROFE) before significant items was 10.0%, compared to 17.1% in FY23.

"Strong cash flow performance and tight control of working capital have been key priorities over the past year. Trading cash flows from continuing operations (excluding legacy and significant items) were $784 million, compared to $537 million in FY23. Overall cash flows from operational activities were $398 million, compared to $388 million in FY23. At year end, net debt of $1.8 billion was better than guidance, and we had strong liquidity of $1.1 billion.

"With regards to our Construction legacy projects, we achieved full works completion on the Pūhoi to Warkworth motorway, one of the largest infrastructure projects ever undertaken in New Zealand. This means that our last remaining Construction legacy projects are the New Zealand International Convention Centre (NZICC) and the Wellington International Airport carpark (WIAL). On NZICC, in FY24 we handed over the Horizon Hotel to the client and settled our Contract Works Insurance claims. The remainder of the NZICC project, plus remedial works on the WIAL carpark, are on track for completion through FY25.

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"We remain focused on reaching a pragmatic industry response to the plumbing matters in Perth. Constructive negotiations continue and Iplex is intent on trying to reach an agreement in principle with the Government and key parties in the near term.

"The Residential and Development division has continued to perform well through the cycle, generating strong EBIT margins and ROFEs above 15%. We think it is the right time to explore capital partnership options for Residential and Development, to invest in and drive the next phase of the business's success. Consequently, we have engaged Jarden to explore options with both local and international investors.

"We expect the year ahead to remain challenging, with macro-economic pressures likely to persist through the year. At this point, we are planning for FY25 market volumes in our materials and distribution businesses to be 10% to 15% lower year-on-year compared to FY24, however we remain vigilant to further market weakness. In this environment, we have a continued focus on tightly managing costs and cash flows. We will also focus on protecting our people, delivering on our promise to customers and positioning our businesses well for when our markets return to growth.

"As my time with Fletcher Building comes to a close, I also offer my thanks to our people, customers and shareholders for their continued support and commitment as we settle into a new phase of Fletcher Building's story."

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