



# Presentation to Macquarie Australia Conference

**Gerry Bollman** - Chief Financial Officer

6 May 2015

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# Disclaimer

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This presentation contains not only a review of operations, but also some forward looking statements about Fletcher Building and the environment in which the company operates. Because these statements are forward looking, Fletcher Building's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the 2015 Half Year Results announcement, are all available on the company's website and contain additional information about matters which could cause Fletcher Building's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Fletcher Building.



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# Presentation outline

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## **Fletcher Building Overview**

## **Update on group strategy performance**

## **Key trends and group performance**

## **Cash and Financial Management**

## **Outlook**



# Fletcher Building Overview

**Fletcher Building is an integrated manufacturer and distributor of infrastructure and building products, as well as a construction company**

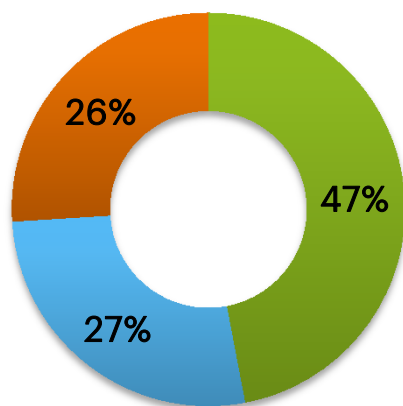
**Revenue – 12 months to 30 June 2014:** NZ\$8,413m

**Market Capitalisation<sup>1</sup>:** NZ\$5.7Bn

**Employees:** 19,000

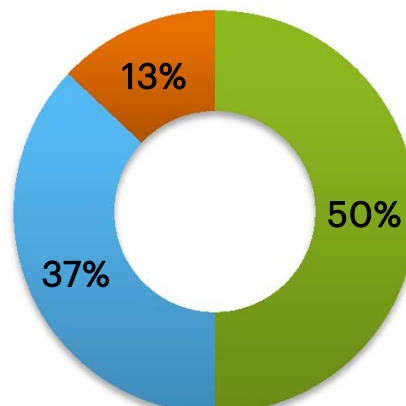
## Shareholders

(as at Dec 2013)



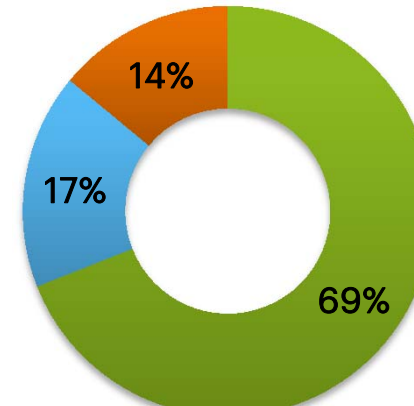
## Revenues

(6 months to Dec 2014)



## EBIT

(6 months to Dec 2014)



■ New Zealand   ■ Australia   ■ Rest of World

<sup>1</sup> Market Capitalisation as at 28 April 2015



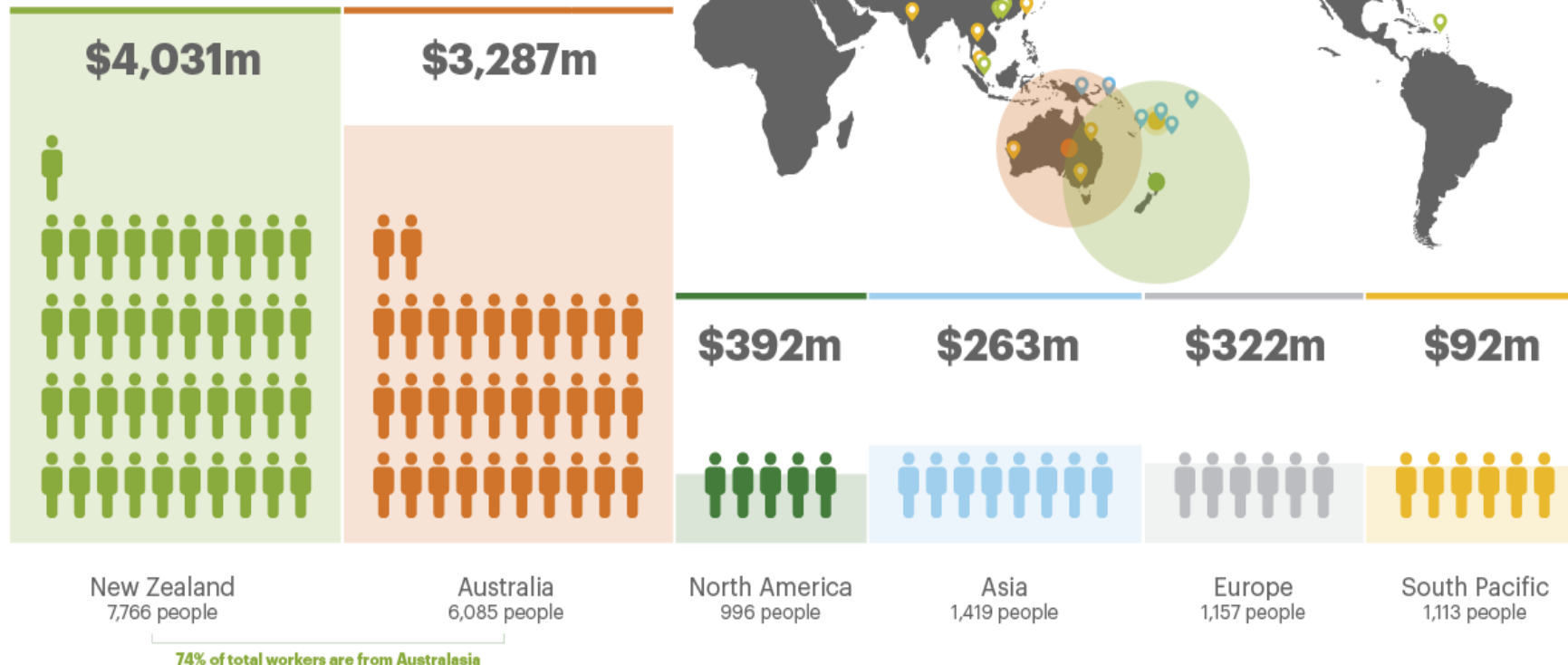
# Fletcher Building: a global company, with dual listing on the NZX, ASX and a head office in Auckland

Revenue: \$8.4billion

People: 19,000

Full time  
worker equivalent  
1 = 1% of total #

External  
revenue  
FY14 (\$m)



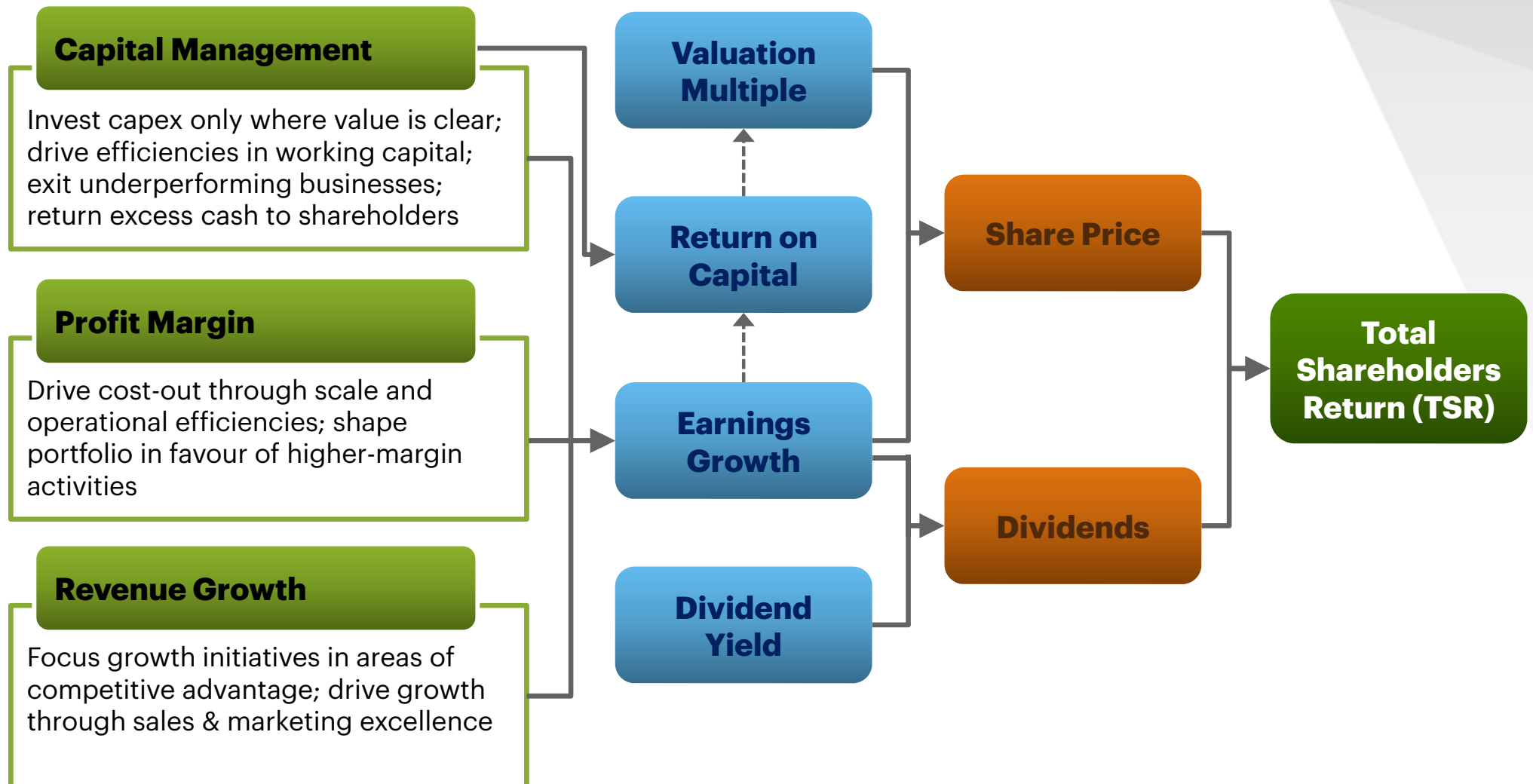


# Strategy Update

**Penrose Campus Redevelopment,  
Auckland**



# Our aspiration: to deliver top-quartile shareholder value creation through driving core operational levers



# Strategy is deployed at three levels of the organisation

## Where are we now?

### Group Portfolio Management

- Clear view of sustainable competitive advantage
- Focus on greatest value-creating opportunities
- Clarity on where to invest, hold and divest

### Support from an Active Centre

- Leveraging scale and skill to create a whole that is greater than the sum of the parts
- Central functions and centres of excellence

### Business Unit Strategy

- Clarity on how to win in the market
- Aligned, focused execution of initiatives
- Development of people and capability

- Vision defined
- In execution phase
- M&A outcomes

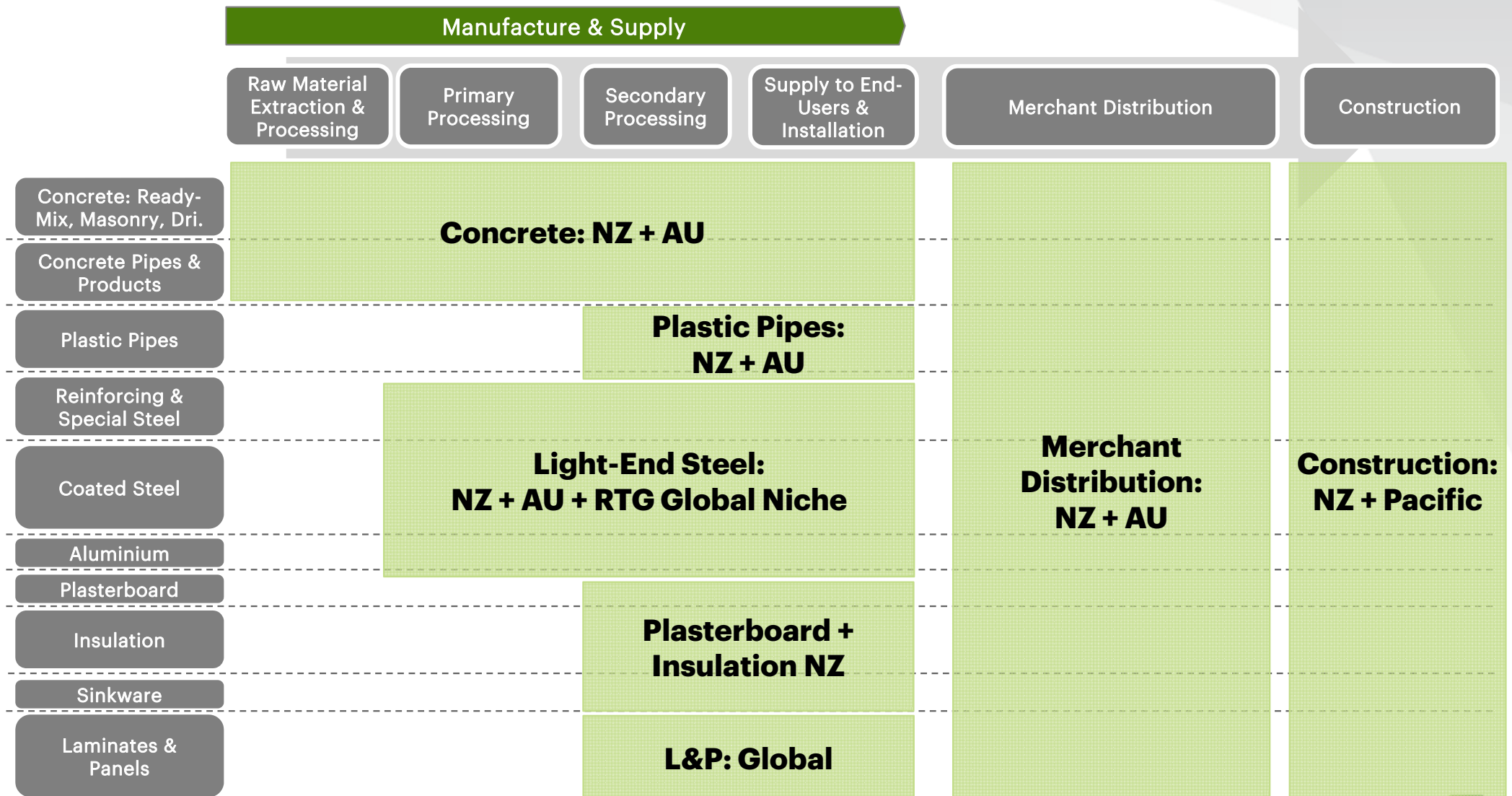
- Organisation in place
- Programs ~80% developed
- Need to drive benefits

- Variable performance
- Capability being lifted
- Opportunities to improve execution, incl. leveraging of the Centre

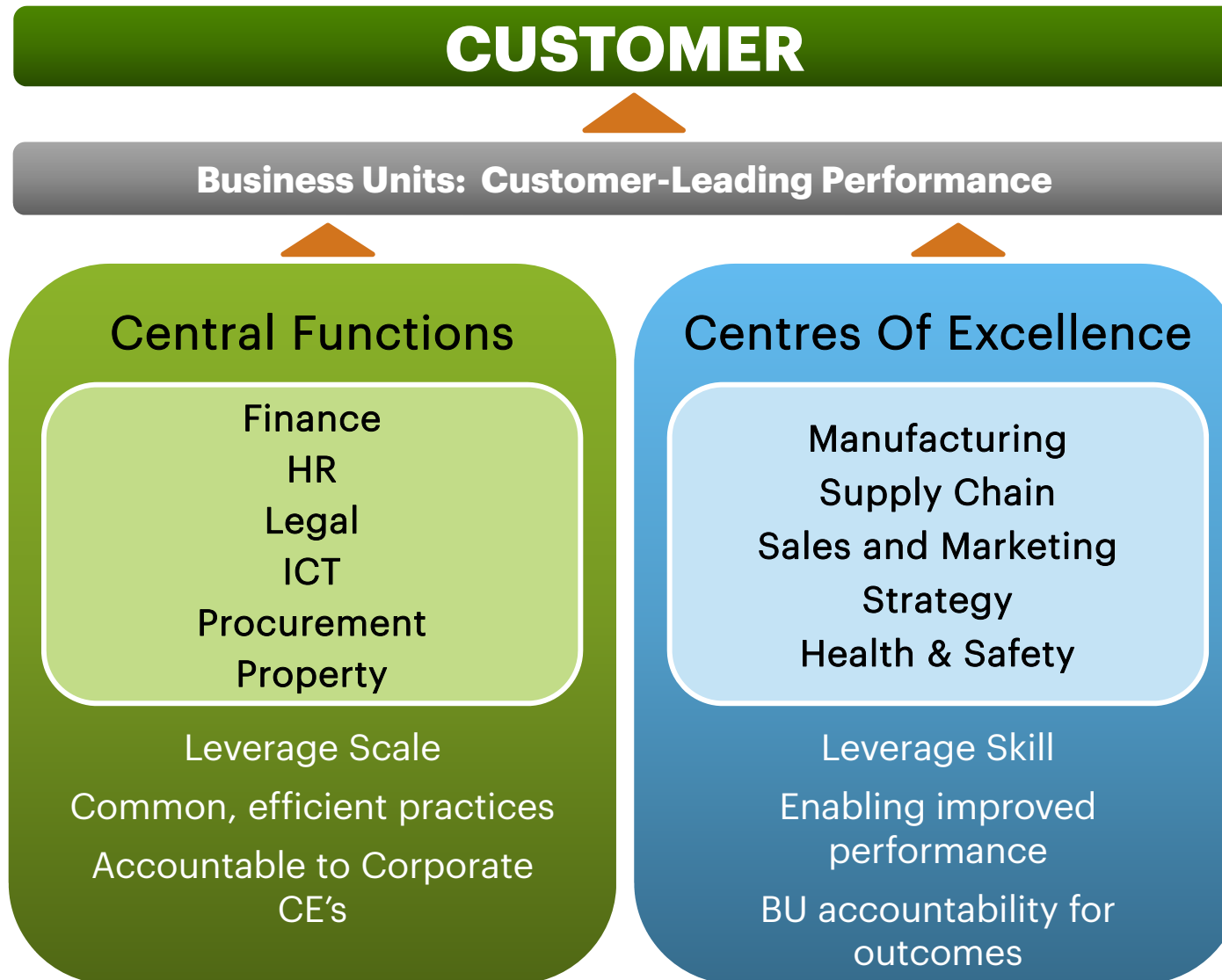




# Fletcher Building's Strategy is focused on 7 Key areas



# FBUnite business transformation programmes are now fully integrated into the FBU business model



# To achieve our aspirations, we have a clear set of strategic priorities

## Objectives: What does success mean?

Our aspiration is to be....

In the top quartile of Australasian companies for shareholder value creation

....which means delivering...

Sustained earnings growth, via higher margins & share gains

and

more efficient use of capital

## Strategic Priorities: How do we make it happen?

### People

*Create a great place to work*

- Safety
- Leadership
- Capability
- Culture: High performance, High-engagement

### Customers

*Deliver what they value*

- Digital leadership
- Sales & marketing excellence

### Efficiency

*Work smarter together*

- IT solutions
- Manufacturing excellence
- Procurement
- Property
- Shared services

### Profitable Growth

*Invest where we can win*

- Targeted growth initiatives
- Disciplined capital expenditure
- Portfolio Management

Supply chain excellence





# Key trends and group performance

Firth EnviroPave, Beachlands



# Half Year Highlights

## NZ Volumes Growth:

Cement	+13%
Aggregates	+7%
Concrete	+17%
Concrete Products	+10%
Plasterboard	+8%
Steel Reinforcing	+32%
Doors & Windows	+8%

## Australian Volume Growth:

Insulation	+12%
Laminex	+5%

## Residential:

- Strong growth in earnings +18%
- Increased number and range of homes in the market
- Increased land purchases

## Canterbury:





Over 65,000 permanent repairs completed

## Further FBUnite Progress:

- \$14m additional cost savings delivered in first half
- On track incremental benefits to deliver \$25m in FY15



# Performance issues in Australian businesses are being addressed

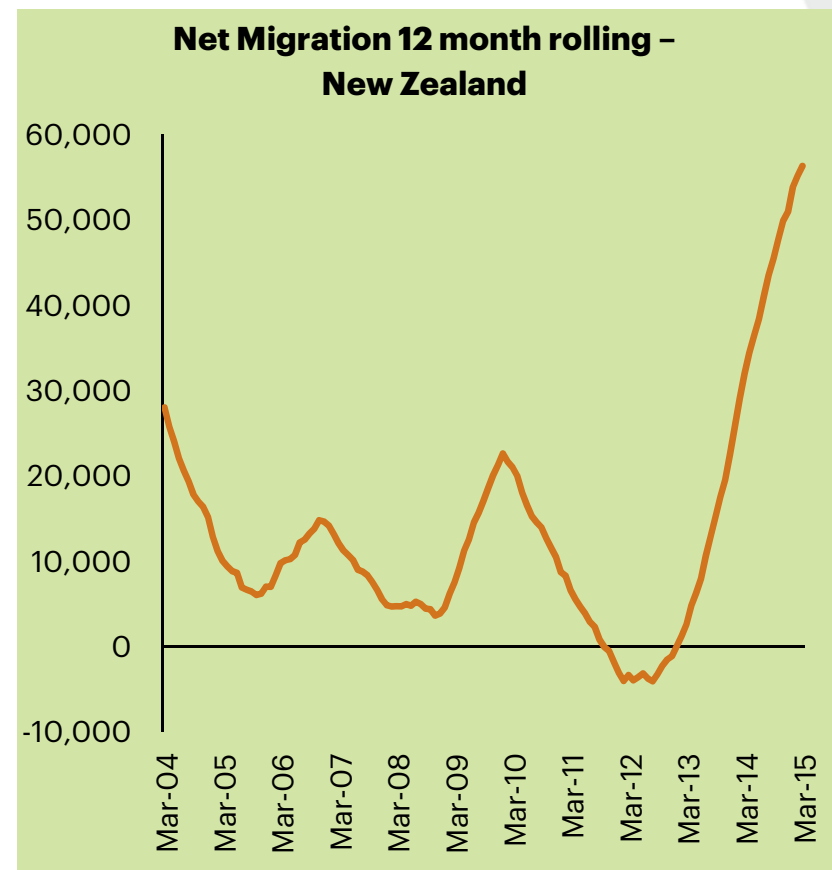
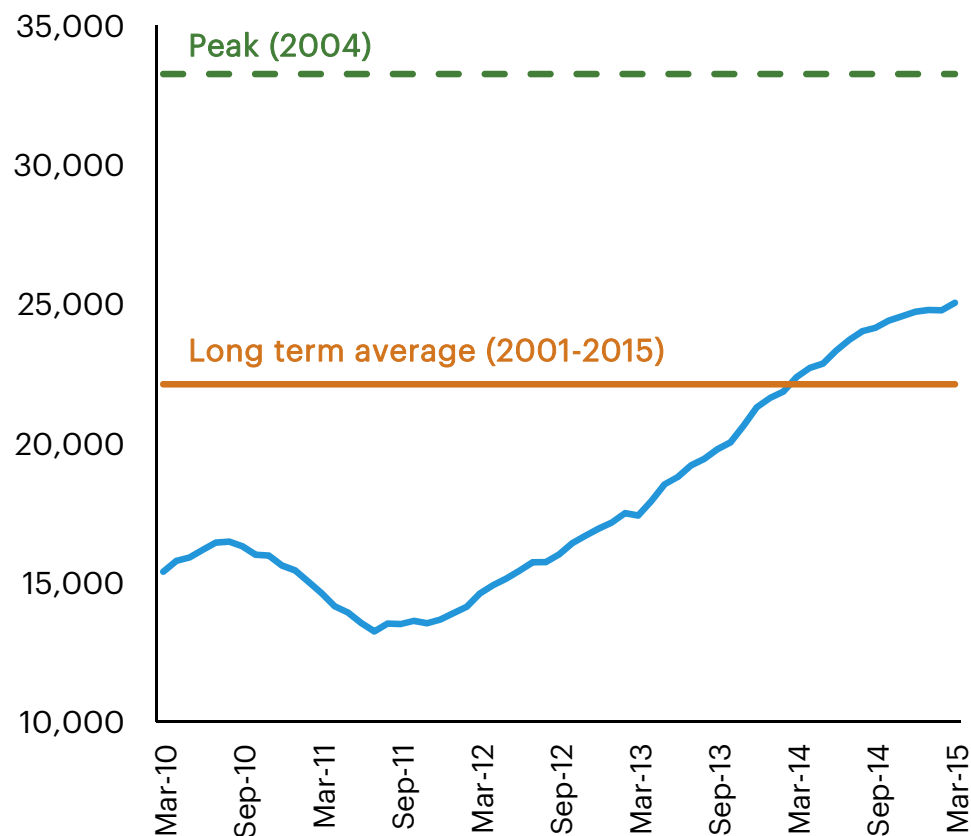
			
Plumbing and bathroom distribution	Concrete Products	Roofing Sheds + Commercial structures	Plastic Pipes
<ul style="list-style-type: none"> <li>Performing in line with plan</li> <li>Key areas of focus:               <ul style="list-style-type: none"> <li>Merchandising, pricing and sales force effectiveness</li> <li>Work streams now underway for supply chain and customer value proposition</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Market remains competitive with continued deferral of infrastructure projects</li> <li>Well positioned for market recovery</li> <li>Focused on self-help to reduce costs and improve margins</li> </ul>	<ul style="list-style-type: none"> <li>Lower volumes and industry over-capacity impacting performance</li> <li>Opportunity to streamline supply chain and rationalise footprint to lower breakeven</li> </ul>	<ul style="list-style-type: none"> <li>New management team in place</li> <li>Coal Seam Gas volumes remain depressed</li> <li>Well-advanced customer, product and manufacturing strategies focused on right-sizing capacity and building sustainably profitable core</li> </ul>





# New Zealand residential consents up 11% to 25,038

## Total residential consents 12 month rolling – New Zealand

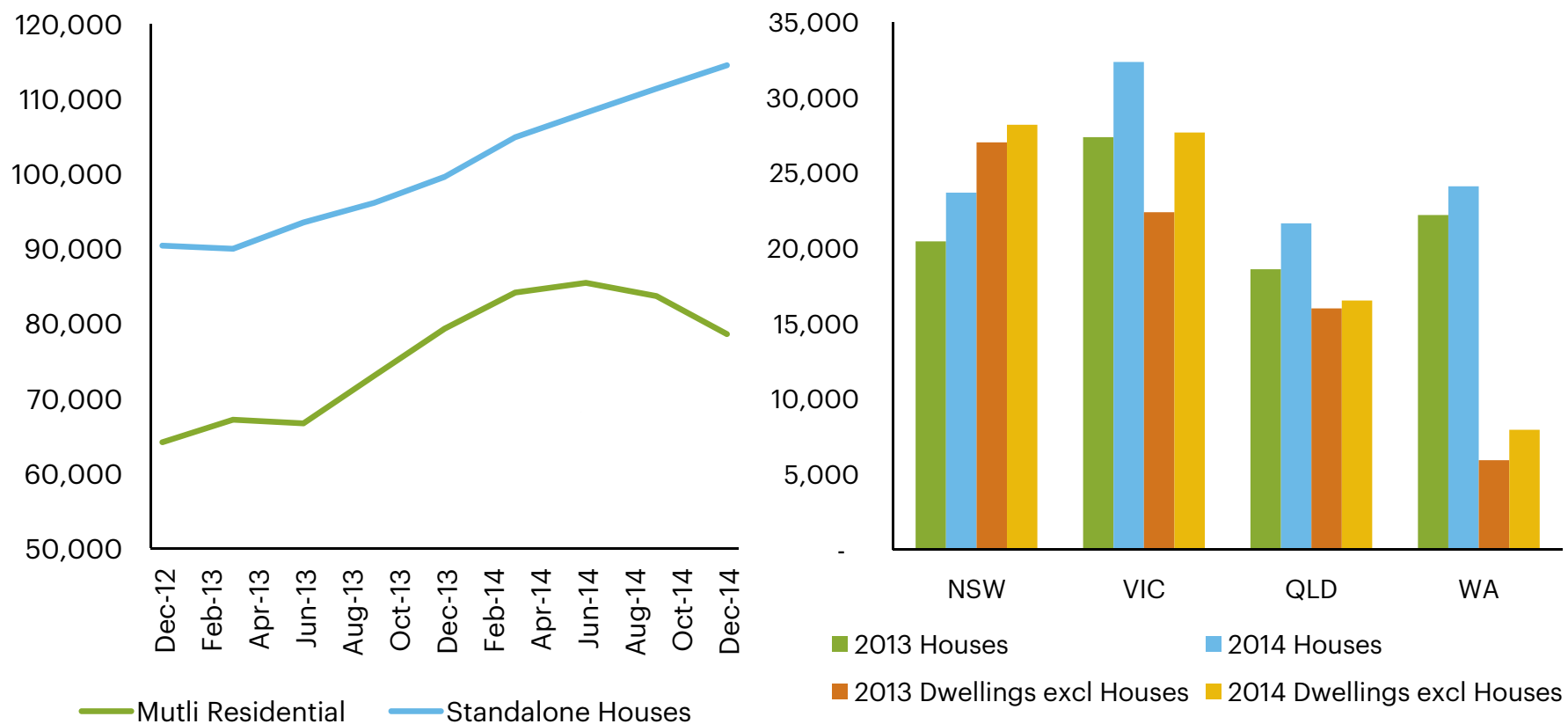


Source: Statistics NZ, Infometrics



# Australian residential consents up 12% with strong recovery in stand-alone housing

## Total residential consents 12 month rolling – Australia



Source: Australian Bureau of Statistics, BIS Shrapnel



# Cash and Financial Management

**Decra Roofing Systems, Kenya**

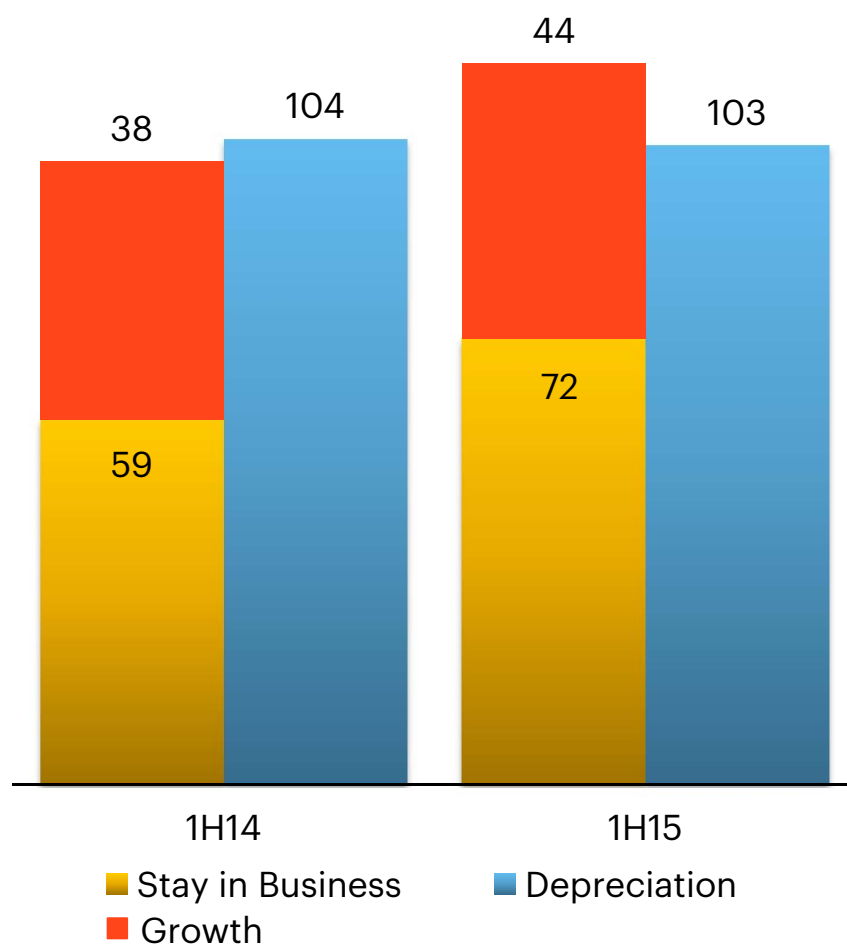


# Operating cash flow

<b>NZ\$m</b>	<b>Dec 2013 6 months</b>	<b>Dec 2014 6 months</b>
<b>Operating earnings before significant items</b>	281	<b>290</b>
Depreciation and amortisation	104	<b>103</b>
Less cash tax paid	(32)	<b>(29)</b>
Less interest paid	(66)	<b>(63)</b>
Other non-cash adjustments	(20)	<b>(19)</b>
<b>Results from operations before working capital adjustments</b>	267	<b>282</b>
Land inventory purchases	(4)	<b>(100)</b>
Other working capital movements	(84)	<b>(36)</b>
<b>Cash flows from operating activities</b>	179	<b>146</b>



## Capital expenditure expected to be at bottom end of guidance range (\$275m to \$325m)



NZ\$m	Dec 2013 6 months	Dec 2014 6 months	% Δ
Stay-in-business	59	<b>72</b>	+22
Growth	38	<b>44</b>	+16
<b>Total Capex</b>	97	<b>116</b>	+20
<b>Acquisitions</b>	4	<b>0</b>	
<b>Depreciation</b>	104	<b>103</b>	-1



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# Capital management settings

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**Fletcher Building will continue to target strong 'BBB' credit characteristics**

## **Gearing**

- Target of Net Debt to Net Debt + Equity (including Capital Notes) of 30-40%
- As at 31 December 2014: 34%

## **Leverage**

- Target Net Debt to EBITDA of 2.0 to 2.5 times
- As at 31 December 2014: 2.28 times<sup>1</sup>

**It is intended that the group will not be materially outside target Gearing and Leverage ranges on a long run basis**

**Target dividend pay-out ratio is 50% to 75% of net earnings before significant items**

1. Based on annualised 6 month EBITDA before significant items





# Outlook



Laminex, Australia



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# Outlook FY15

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## **New Zealand**

- Residential consents continuing at levels above long run trend
- Encouraging outlook for commercial construction
- Civil infrastructure driven by ongoing government investment

## **Australia**

- Residential construction expected to remain strong
- Non-residential outlook challenging:
  - Declining mining and resources investment
  - Uncertainty over government infrastructure spending intentions

## **North America**

- Expected to track higher

## **Europe**

- Conditions mixed, with a weak economic outlook

## **Asia**

- Further volume growth in South East Asia, but China increasingly competitive



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# Outlook FY15

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**FY15 performance will be impacted by businesses sold in FY14, and substantial completion of the Canterbury Home Repair Programme**

**Earnings from Fletcher Living residential development business now forecast to be up year-on-year**

**Further cost savings from FBUnite of \$25m in FY15**

**Operating earnings before significant items expected to be at lower end of guidance range of \$650m to \$690m**



# Appendix 1: Divisional and Business Unit Overview

## Heavy Building Products: Matt Crockett (from 1 July 15)



- Firth + Humes
- Golden Bay Cement + Aggregates
- Rocla Products
- Rocla Quarries
- Iplex Australia
- Iplex New Zealand

## Light Building Products: Francisco Irazusta



- Winstone Wallboards + Tasman Insulation
- Stramit
- Coated Steel
- Roof Tile Group
- Aluminium
- Insulation Australia
- Sinkware

## Distribution Australia: Tim Hickey



- Tradelink

## Distribution NZ: Dean Fradgley



- Placemakers + Forman Distribution
- Mico
- Steel Distribution + Pacific Coilcoaters

## Laminates & Panels: Paul Zuckerman



- Laminex Australia
- Laminex NZ
- Formica Asia
- Formica North America
- Formica Europe
- Homapal

## Construction: Graham Darlow



- Building & Interiors + Forman Contracting
- Infrastructure
- South Pacific
- Housing
- Fletcher Living
- EQR



Consolidated within Division



Transferred into new Division



## Appendix 2: Sectoral exposure

### Exposures based on revenues

<b>Geographical Exposure by Sector<sup>1</sup></b>	<b>Residential (New/A&amp;A)*</b>	<b>Commercial</b>	<b>Infrastructure</b>	<b>Other</b>
New Zealand	47%	30%	18%	5%
Australia	49%	27%	12%	12%
Rest of World	44%	51%	0%	5%
<b>Total Manufacturing</b>	47%	32%	13%	8%

New Zealand	87%	13%	0%	0%
Australia	41%	59%	0%	0%
<b>Total Distribution</b>	67%	33%	0%	0%

New Zealand	17%	48%	35%	0%
Rest of World	0%	50%	50%	0%
<b>Total Construction</b>	15%	48%	37%	0%

1. Excludes NZ and Australian Distribution businesses

\* A&A – Additions and Alterations

