



# Half Year Results to 31 December 2014

**Mark Adamson** - Chief Executive Officer

**Gerry Bollman** - Chief Financial Officer

18 February 2015

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# Disclaimer

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This half year results presentation dated 18 February 2015 provides additional comment on the management commentary of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that commentary.



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# Agenda

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**Results Overview**

**Geographic & Sectoral Analysis**

**Divisional Performances**

**Financial Results**

**Strategy Update**

**Outlook**

**Appendix**



# Results Overview



Firth EnviroPave, Beachlands



# Results Overview

## Snapshot

**\$114** million  
NET EARNINGS

**\$224** million  
OPERATING EARNINGS

**\$4,327** million  
REVENUE

**18C**  
DIVIDEND PER SHARE

**16.6C**  
EARNINGS PER SHARE



# Results Summary

<b>NZ\$m</b>	Dec 2013 6 months	<b>Dec 2014 6 months</b>	% Δ
Revenue	4,273	<b>4,327</b>	+1
EBITDA	385	<b>327</b>	-15
EBIT	281	<b>224</b>	-20
Net earnings	154	<b>114</b>	-26
EPS - cps	22.4	<b>16.6</b>	-26
Dividend - cps	18.0	<b>18.0</b>	0
EBIT before significant items	281	<b>290</b>	+3
Significant items	-	<b>(66)</b>	



# 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



# Results Overview

## Revenue

**\$4,327** million

REVENUE up 1%

- **Reported revenue \$54m higher than HY14**

### Revenue growth rates

*Geographic segments in local currency*

New Zealand	+6%
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Australia	-3%
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Rest of World	+8%
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- **Underlying revenue growth of 3% when adjusted for sale of Pacific Steel and Hudson Building Supplies**



# Results Overview

## Operating Earnings

**\$224** million  
OPERATING EARNINGS down 20%

**\$290** million  
OPERATING EARNINGS before  
significant items up 3%

- **Operating earnings excluding significant items up 3%**

### Significant items

*Significant items relate to site closure costs and impairment of goodwill*

Site closure costs	\$34m
Forman goodwill impairment	\$32m
<b>Total</b>	<b>\$66m</b>



# Results Overview

## Net earnings

**\$114** million

NET EARNINGS down 26%

**\$171** million

NET EARNINGS before significant items up 11%

- **Net earnings before significant items were up 11% to \$171m**

### Earnings per share

Earnings per share	16.6 cents	-26%
Earnings per share <i>(before significant items)</i>	24.9 cents	+11%



# Results Overview

## Dividend & Cash flow

**\$146** million

CASH FLOW FROM OPERATIONS down 18%

**18** C

DIVIDEND PER SHARE

- **Cash flow from operations before working capital movements up 6% to \$282m**
- **Cash flow from operating activities down 18% due to:**
  - Residential land purchases \$57m
  - Purchase of head office complex \$43m
- **Interim dividend of 18 cents per share**
- **Dividend not franked for Australian tax purposes**
- **Dividend Reinvestment Plan will be operative for this dividend**



# Geographic & Sectoral Analysis



**Winstone Wallboards, Opawa, Christchurch**



# 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%

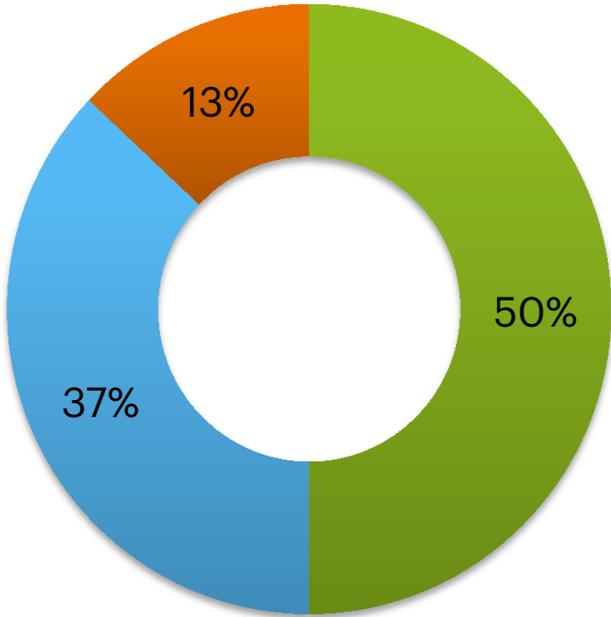
1. Excludes NZ and Australian Distribution businesses

\* A&A – Additions and Alterations

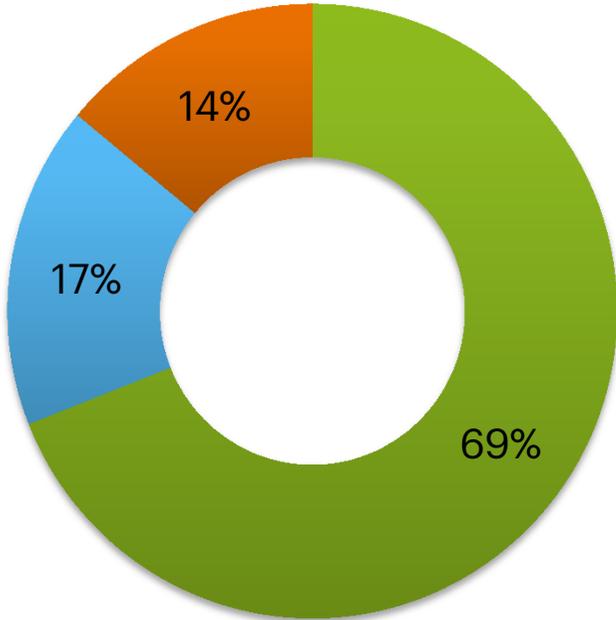


# Geographic earnings mix

**Revenues**  
(6 months to Dec 2014)



**EBIT<sup>1</sup>**  
(6 months to Dec 2014)



■ New Zealand ■ Australia ■ Rest of World

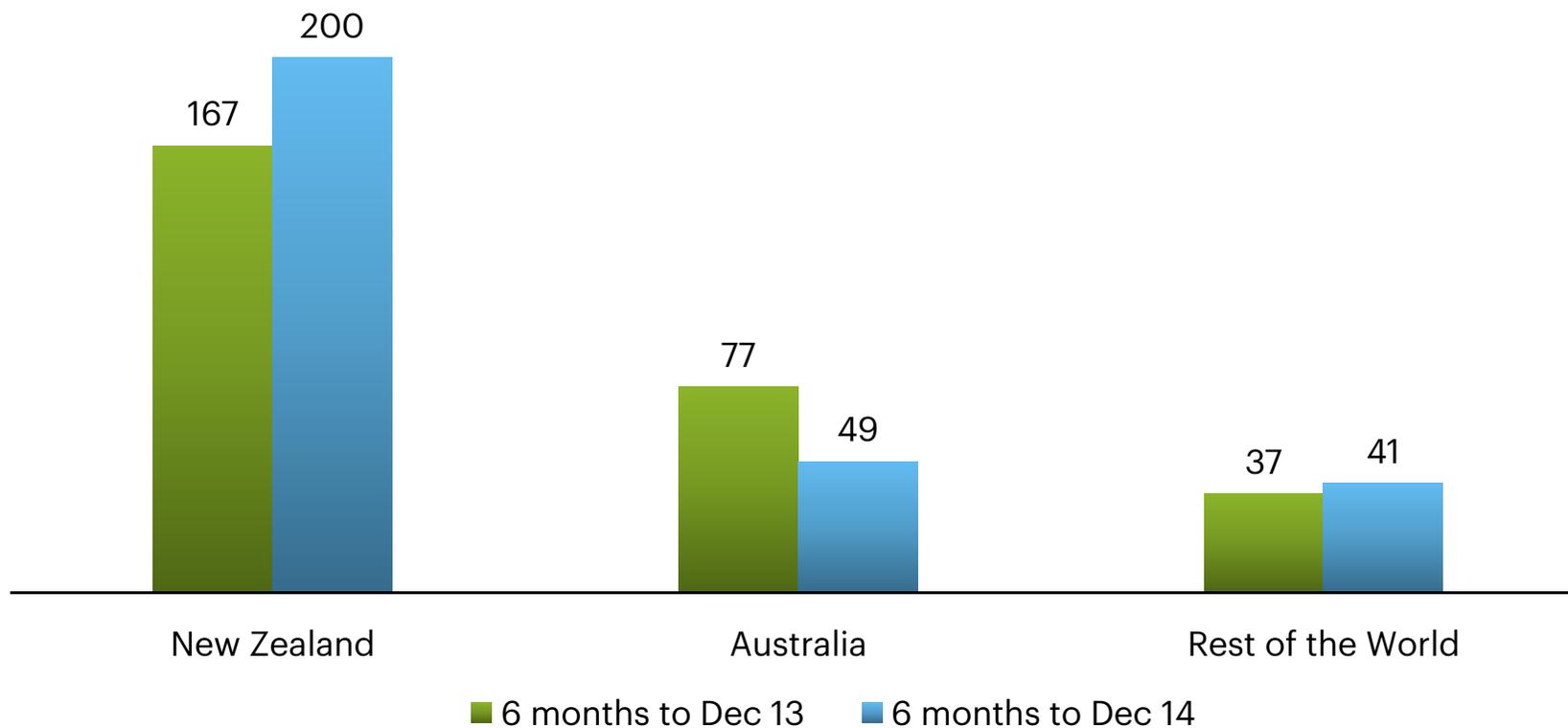
■ New Zealand ■ Australia ■ Rest of World

1. Before significant items



# New Zealand operating earnings up strongly, Australia impacted by difficult market conditions

**EBIT<sup>1</sup>**  
**NZ\$m**

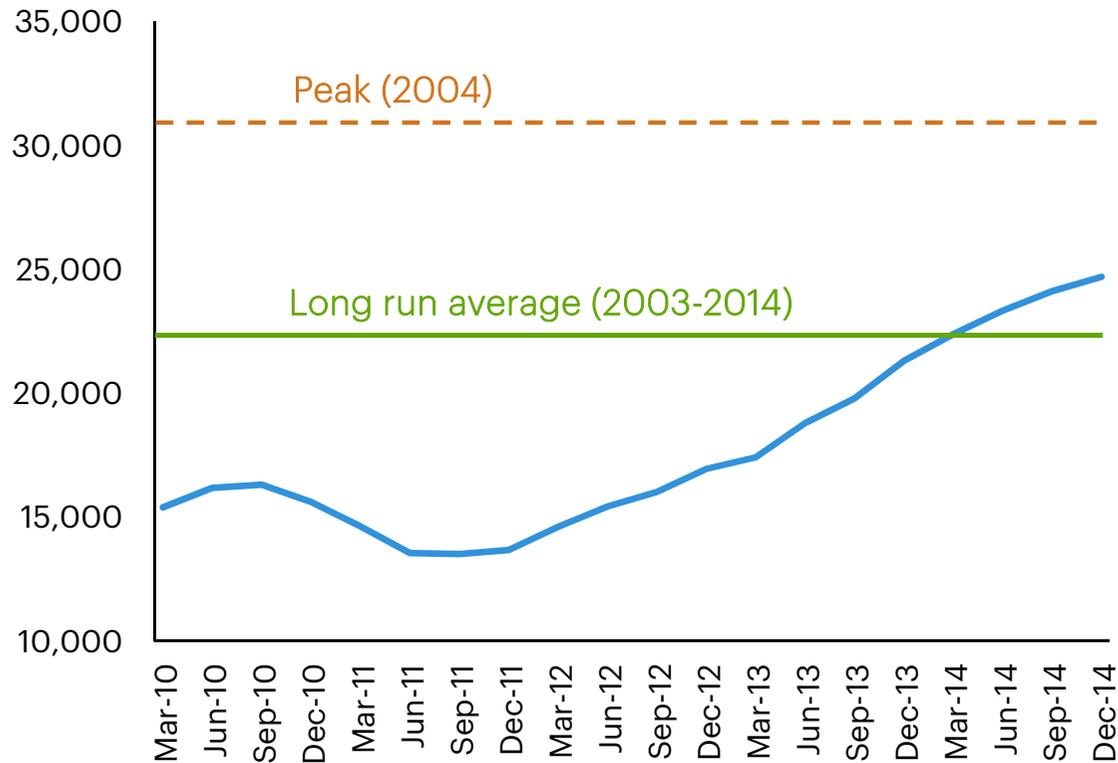


1. Before significant items



# New Zealand residential consents up 16% to 24,680

## Total residential consents 12 month rolling – New Zealand

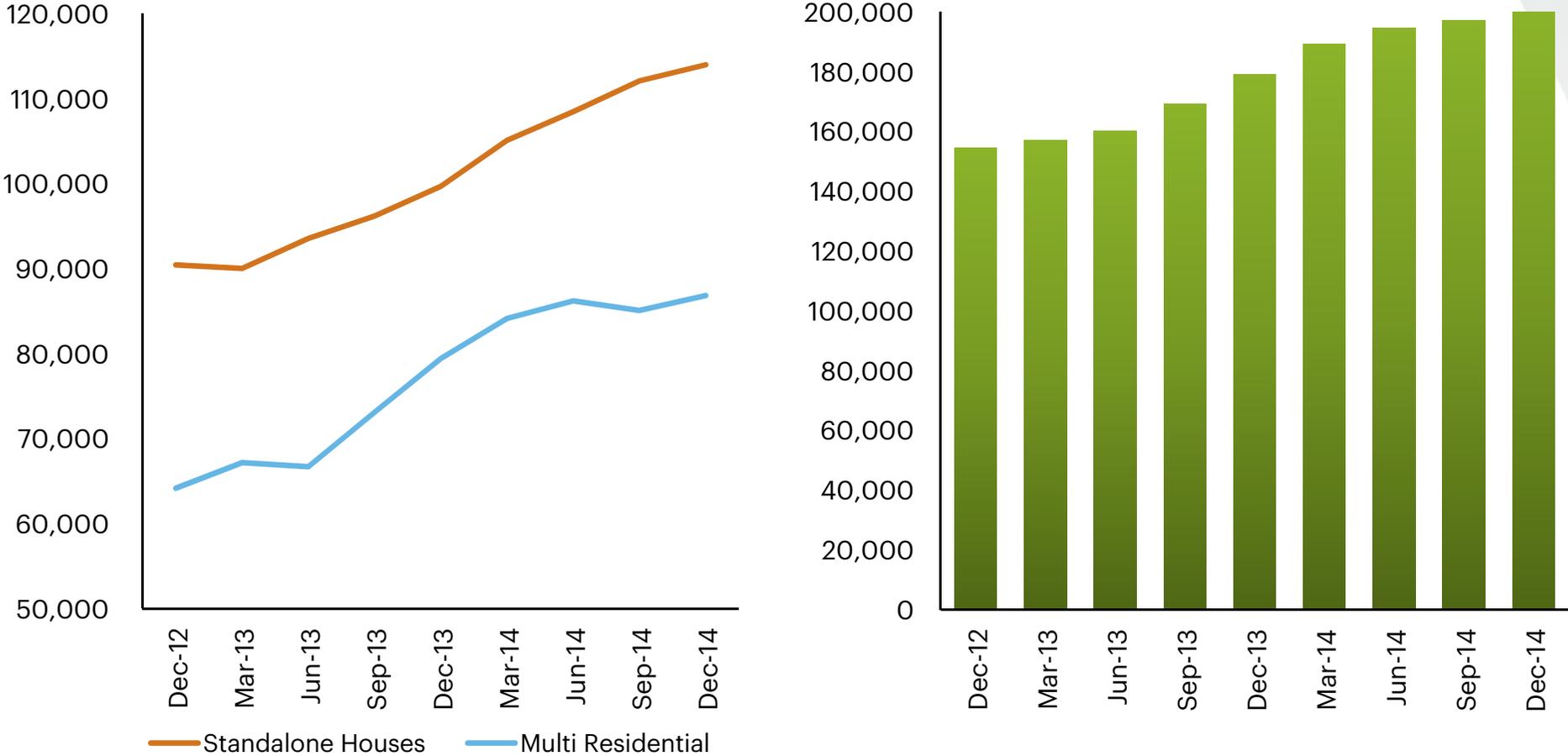


Source: Statistics NZ, Infometrics



# 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



# Divisional Performances

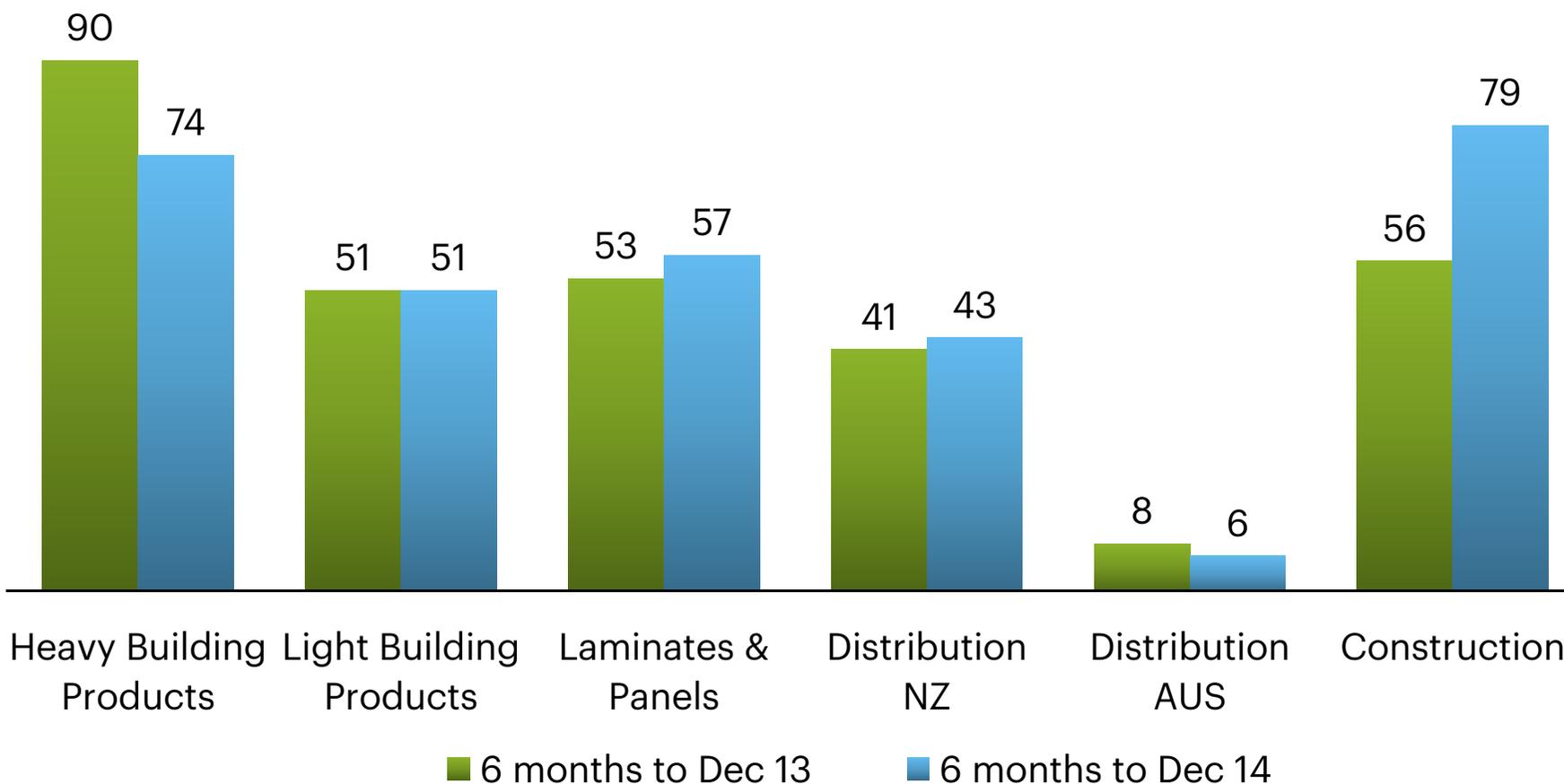


**Decra Roofing Systems, Kenya**



# Divisional operating earnings overview

**EBIT'  
NZ\$m**



1. Before significant items



# Heavy Building Products Result

<b>NZ\$M</b>	Dec 2013 6 months	<b>Dec 2014 6 months</b>	% Δ
Sales	950	<b>863</b>	-9
EBITDA <sup>1</sup>	132	<b>116</b>	-12
EBIT <sup>1</sup>	90	<b>74</b>	-18
NZ Concrete Products	16	<b>26</b>	+63
NZ Cement + Quarry Products	20	<b>31</b>	+55
Aus Concrete Products	14	<b>4</b>	-71
Aus Quarry Products	10	<b>8</b>	-20
Plastic Pipes	21	<b>(3)</b>	
Steel and other	9	<b>8</b>	-11
Funds Employed	1,719	<b>1,676</b>	-3
EBITDA/sales % <sup>1</sup>	13.9	<b>13.4</b>	
EBIT/sales % <sup>1</sup>	9.5	<b>8.6</b>	
ROFE % <sup>1</sup> (annualised)	10.5	<b>8.8</b>	

1. Before significant items

## Total revenue down due to sale of Pacific Steel in prior year

### NZ Concrete Products

- Ready-mix concrete volumes +17%
- Concrete products volumes +10%

### NZ Cement & Quarry Products

- Cement volumes +13%
- Aggregates volumes +7%

### Australian Concrete Products

Volumes down, particularly in infrastructure and mining sectors

### Australian Quarry Products

Volumes stable but earnings negatively impacted by product mix

### Plastic Pipes

Australian business impacted by increased competition & decline in coal seam gas pipe demand



# Light Building Products Result

<b>NZ\$M</b>	Dec 2013 6 months	<b>Dec 2014 6 months</b>	% Δ
Sales	597	<b>601</b>	+1
EBITDA <sup>1</sup>	66	<b>67</b>	+2
EBIT <sup>1</sup>	51	<b>51</b>	-
NZ Building Materials	37	<b>39</b>	+5
Aus Building Materials	5	<b>8</b>	+60
Roof Tile Group	9	<b>4</b>	-56
Funds Employed	647	<b>614</b>	-5
EBITDA/sales % <sup>1</sup>	11.1	<b>11.1</b>	
EBIT/sales % <sup>1</sup>	8.5	<b>8.5</b>	
ROFE % <sup>1</sup> (annualised)	15.8	<b>16.6</b>	

1. Before significant items

## **NZ Building Materials**

Earnings up in line with construction activity:

- Plasterboard volumes increased and prices were stable
- Insulation recorded higher sales of foil and laminate products
- Windows and doors volumes up 8%

## **Aus Building Materials**

Glasswool volumes up 12% due to improved activity & market share increases

Roll-forming volumes ahead but margins down due to higher operating costs

## **Roof Tile Group**

Volumes declined in North America & Europe, while Asian & African markets grew by 9%



# Laminates & Panels Result

<b>NZ\$M</b>	Dec 2013 6 months	<b>Dec 2014 6 months</b>	% Δ
Sales	866	<b>904</b>	+4
EBITDA	83	<b>85</b>	+2
EBIT	53	<b>57</b>	+8
Laminex	27	<b>37</b>	+37
Formica	26	<b>20</b>	-23
Funds Employed	1,746	<b>1,785</b>	+2
EBITDA/sales %	9.6	<b>9.4</b>	
EBIT/sales %	6.1	<b>6.3</b>	
ROFE % (annualised)	6.1	<b>6.4</b>	

## Laminex

- Earnings up 37%
- Increased activity in Australia residential & commercial sectors

## Formica

- Revenue up in domestic currencies across all major jurisdictions
- Earnings growth in the USA driven by improved margins and further operational and efficiency gains
- Asia revenue up but earnings down, adversely impacted by tougher China market
- European activity varied, with improvement in Spain & Scandinavia, but declines in Central & Eastern Europe



## Formica: continued growth in North America, Asia impacted by more competitive China market

<b>EBIT NZ\$M</b>	Dec 2013 6 months	<b>Dec 2014 6 months</b>	% Δ
Asia	18	<b>11</b>	-39
North America	17	<b>20</b>	+18
Europe	(1)	<b>(2)</b>	-
Corporate	(8)	<b>(9)</b>	+13
Total EBIT	26	<b>20</b>	-23



# Distribution New Zealand Result

<b>NZ\$M</b>	Dec 2013 6 months	<b>Dec 2014 6 months</b>	% Δ
Sales	725	<b>780</b>	+8
EBITDA <sup>1</sup>	48	<b>50</b>	+4
EBIT <sup>1</sup>	41	<b>43</b>	+5
Building Supplies	26	<b>29</b>	+12
Steel Distribution	15	<b>14</b>	-7
Funds Employed	318	<b>309</b>	-3
EBITDA/sales % <sup>1</sup>	6.6	<b>6.4</b>	
EBIT/sales % <sup>1</sup>	5.7	<b>5.5</b>	
ROFE % <sup>1</sup> (annualised)	25.8	<b>27.8</b>	

## Building Supplies

- Revenues up 8% with positive trading conditions in PlaceMakers and Mico
- Operating earnings up 12% - volume increases and operational efficiencies offset margin pressure
- 4 Mico and PlaceMakers branches now co-located: enhanced customer offering and cost savings

## Steel Distribution

- Revenue up 7% driven by strong customer demand
- Strong performance in EasySteel and Reinforcing offset by manufacturing issues at Pacific Coilcoaters

1. Before significant items



# Distribution Australia Result

<b>NZ\$M</b>	Dec 2013 6 months	<b>Dec 2014 6 months</b>	% Δ
Sales	476	<b>446</b>	-6
EBITDA	12	<b>10</b>	-17
EBIT	8	<b>6</b>	-25
Funds Employed	421	<b>395</b>	-6
EBITDA/sales %	2.5	<b>2.2</b>	
EBIT/sales %	1.7	<b>1.3</b>	
ROFE % (annualised)	3.8	<b>3.0</b>	

Revenue and operating earnings down due to sale of Hudson Building Supplies business during the period  
4% increase in Tradelink revenue in domestic currency terms

Refocus and alignment of resources has delivered an improved customer proposition, including improved products, better stock availability and service

The initiatives led to improved sales, higher gross margins and increased customer satisfaction

On track for improved result for the full year



# Construction Result

<b>NZ\$M</b>	Dec 2013 6 months	<b>Dec 2014 6 months</b>	% Δ
Sales	659	<b>733</b>	+11
EBITDA <sup>1</sup>	60	<b>83</b>	+38
EBIT <sup>1</sup>	56	<b>79</b>	+41
Construction	28	<b>46</b>	+64
Housing	28	<b>33</b>	+18
Funds Employed	134	<b>190</b>	+42
EBITDA/sales % <sup>1</sup>	9.1	<b>11.3</b>	
EBIT/sales % <sup>1</sup>	8.5	<b>10.8</b>	
ROFE % <sup>1</sup> (annualised)	83.6	<b>83.2</b>	

Earnings growth driven by strong performance across NZ and South Pacific

Significant infrastructure projects ongoing include several large projects reached 20% completion

Construction backlog of \$2 billion as at December 2014

Continued growth in volume and value of residential homes sold with a greater range of locations and price points introduced

Canterbury Home Repair Programme:

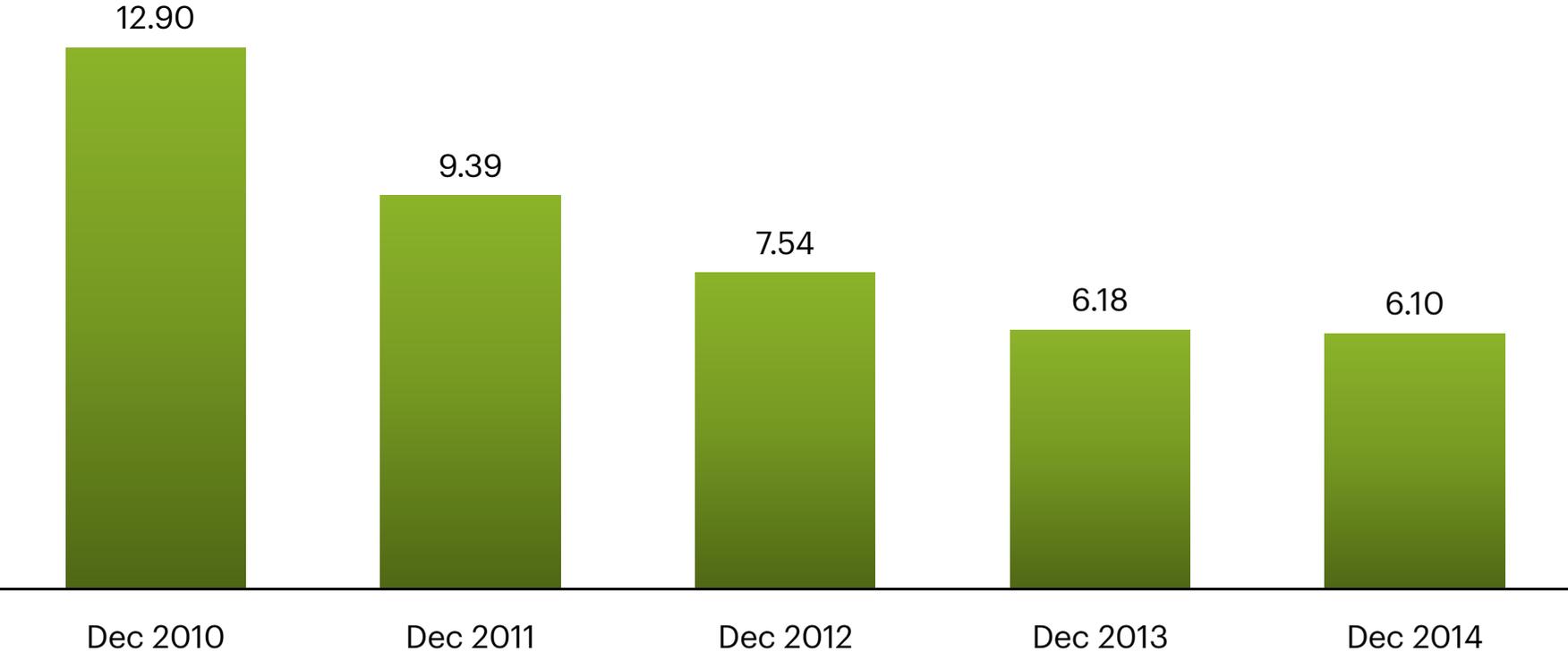
- Over 65,000 home repairs completed;
- Further repairs for delayed claims to be completed post April 2015

1. Before significant items



# Health and safety performance

## Total recordable injury frequency rate\*



\* Total injuries per million employee and contractor hours. Note prior period data can change due to reclassification of injuries and updates of estimated hours.



# Financial Results



Fletcher Construction, Christchurch

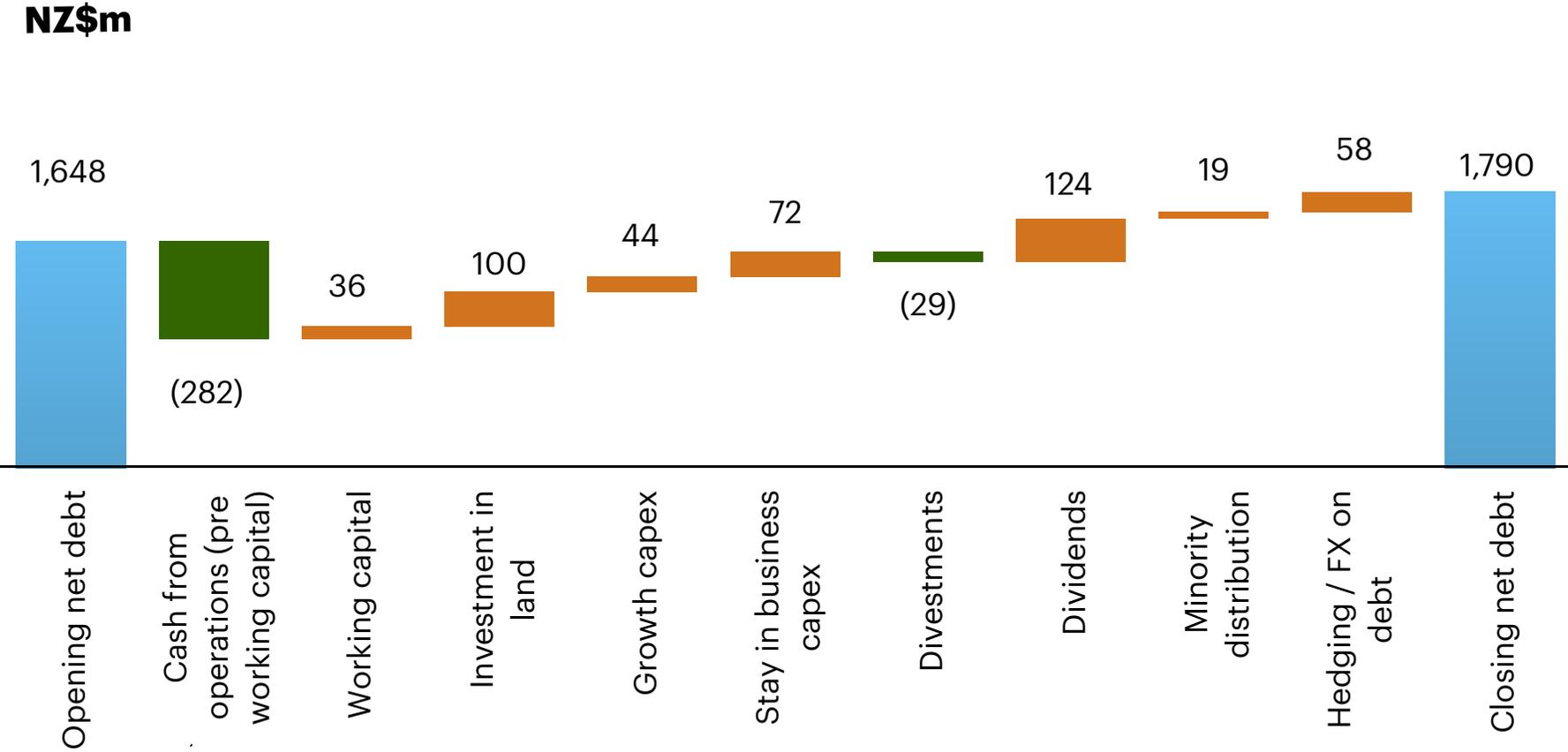


# Operating cash flow

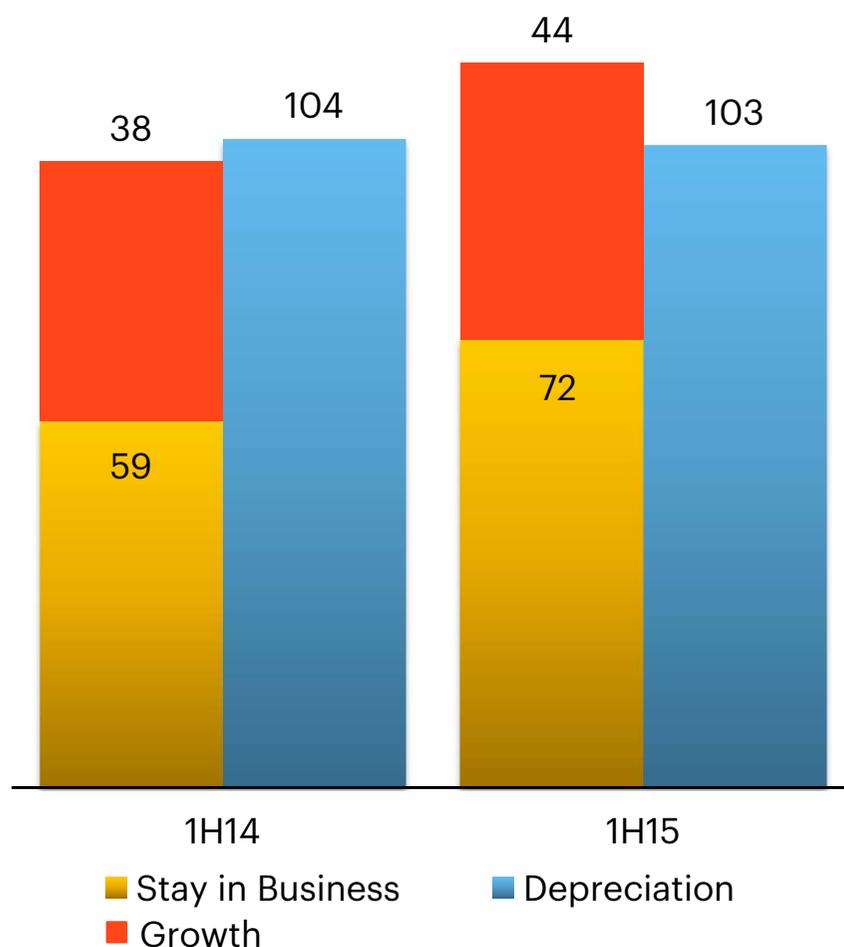
<b>NZ\$m</b>	Dec 2013 6 months	<b>Dec 2014 6 months</b>
<b>Operating earnings before significant items</b>	281	<b>290</b>
Depreciation and amortisation	104	<b>103</b>
Less cash tax paid	(32)	<b>(29)</b>
Less interest paid	(66)	<b>(63)</b>
Other non-cash adjustments	(20)	<b>(19)</b>
<b>Results from operations 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>



# Net debt higher due to investment in land and currency translation impacts



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

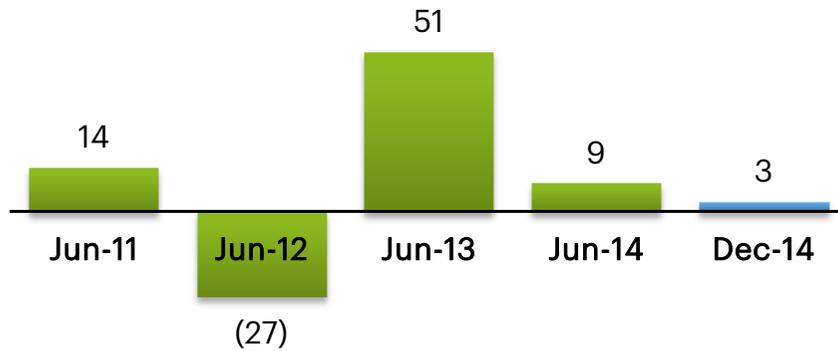


NZ\$m	Dec 2013 6 months	Dec 2014 6 months	% Δ
Stay-in-business	59	<b>72</b>	+22
Growth	38	<b>44</b>	+16
<b>Total Capex</b>	97	<b>116</b>	+20
<b>Acquisitions</b>	4	<b>0</b>	
<b>Depreciation</b>	104	<b>103</b>	-1

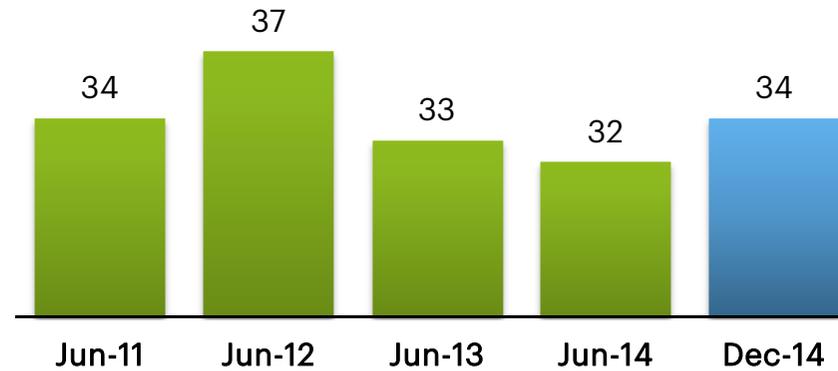


# Key ratios

**Total Shareholder Return (TSR)  
Percentage**



**Debt/Debt Plus Equity  
Percentage**



**Return on Average Funds  
Percentage<sup>1</sup>**

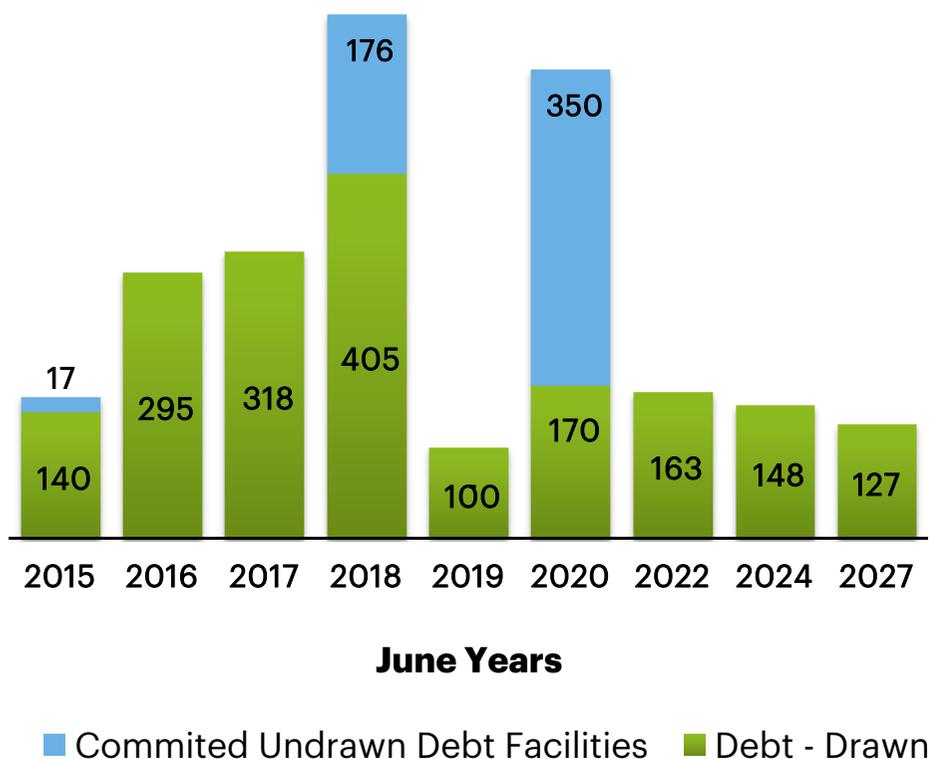


1. Earnings before interest, tax and significant items / average funds



# Debt profile

## Funding and Maturity Profile NZ\$m



Undrawn credit lines of \$543m and cash of \$124m

Average maturity of debt is 4 years

Approximately 51% of all borrowings have fixed interest rates

Average interest rate on debt is 6.02%

Mix of currency (hedged)

- NZ\$ 37%
- AU\$ 44%
- US\$ 11%
- Other 8%



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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



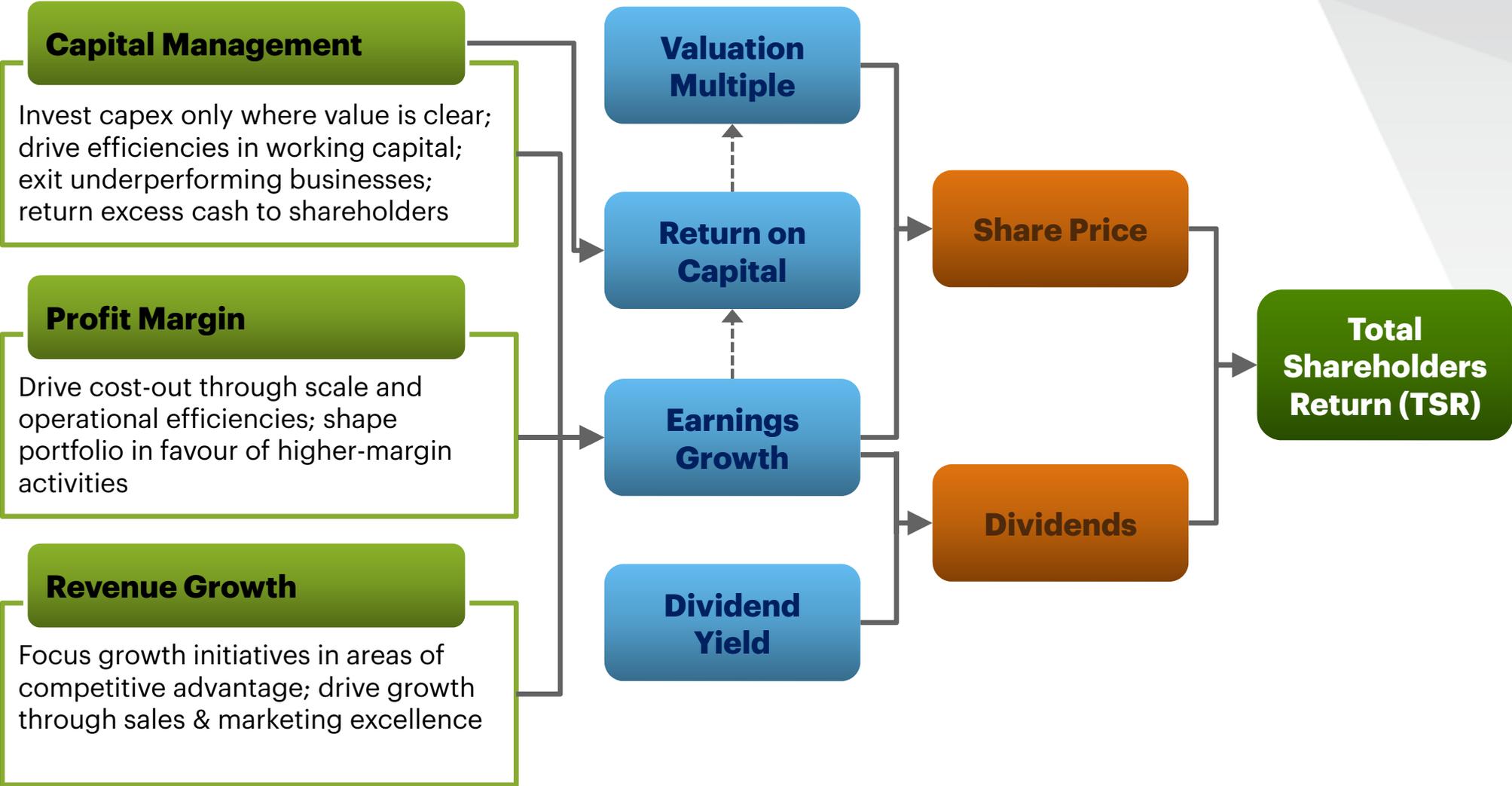
# Strategy Update



**Penrose Campus Redevelopment,  
Auckland**



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



# Strategy is focused on 6 Key areas

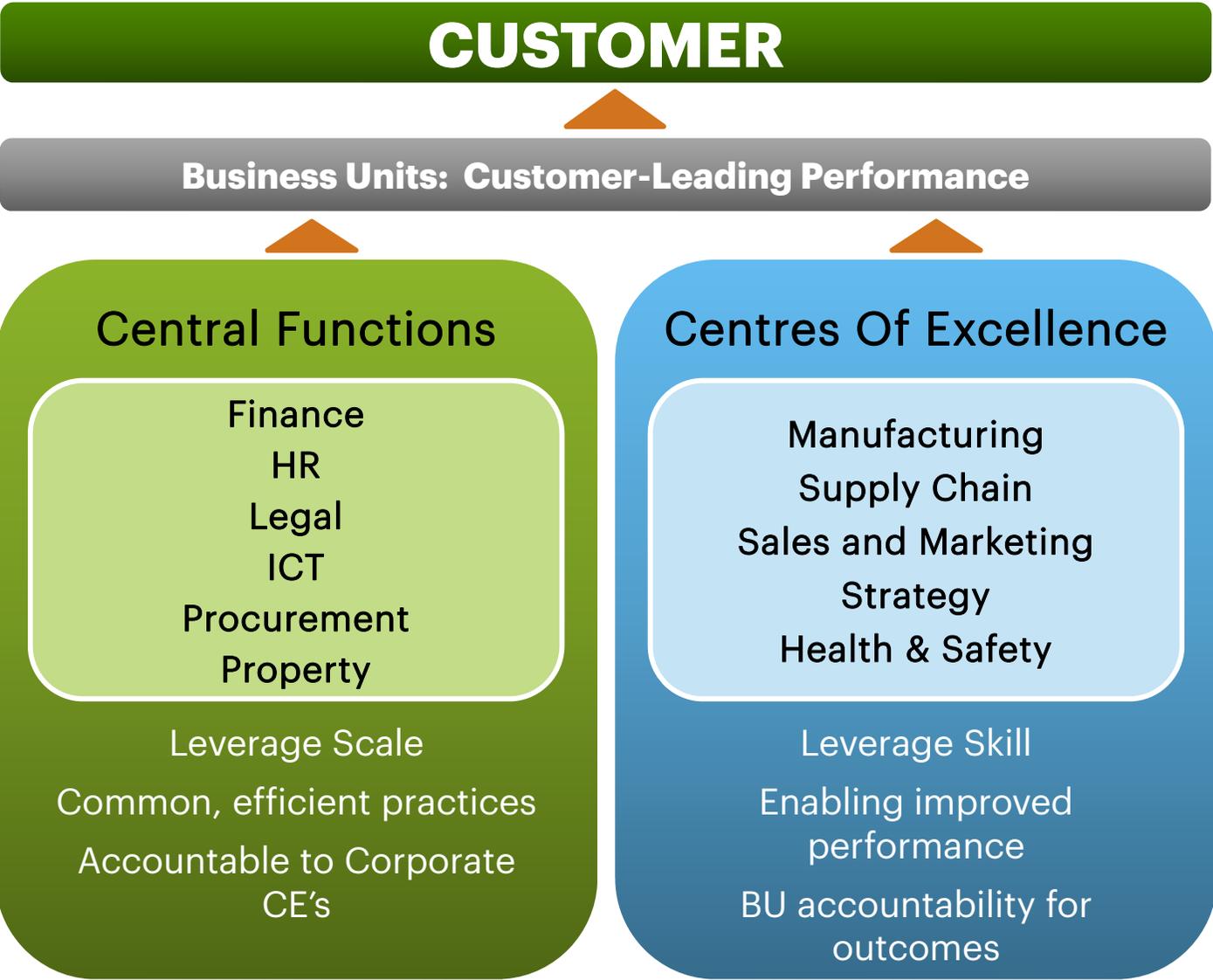
## Manufacture & Supply



Product Category	Raw Material Extraction & Processing	Primary Processing	Secondary Processing	Supply to End-Users & Installation	Merchant Distribution	Construction
Concrete: Ready-Mix, Masonry, Dri.	Rocla Quarries	Golden Bay Cement	Firth	Humes	Humes	
Concrete Pipes & Products	Winstone Aggregates		Rocla Pipes			
Plastic Pipes			Iplex AU Iplex NZ	Tradelink Mico + Humes		
Reinforcing & Special Steel			Fletcher Reinforcing EasySteel	EasySteel	Fletcher Living	
Coated Steel	Pacific Coil Coatings		Light-End Steel: RTG Global Niche	Tradelink	Merchant Distribution: NZ + AU	Construction: NZ + Pacific
Aluminium			Fletcher Aluminium	Place Makers	South Pacific	
Plasterboard			Winstone W/boards		Infrastructure	
Insulation			TINZ Fl. Insulation	Tradelink		
Sinkware			Tas. Sinkware			
Laminates & Panels			Laminex AU Laminex NZ Formica	Laminex AU Laminex NZ		



# 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?**

<p><b>People</b></p> <p><i>Create a great place to work</i></p>	<ul style="list-style-type: none"> <li>• Safety</li> <li>• Leadership</li> <li>• Capability</li> <li>• Culture: High performance, High-engagement</li> </ul>
<p><b>Customers</b></p> <p><i>Deliver what they value</i></p>	<ul style="list-style-type: none"> <li>• Digital leadership</li> <li>• Sales &amp; marketing excellence</li> </ul>
<p><b>Efficiency</b></p> <p><i>Work smarter together</i></p>	<ul style="list-style-type: none"> <li>• IT solutions</li> <li>• Manufacturing excellence</li> <li>• Procurement</li> <li>• Property</li> <li>• Shared services</li> </ul>
<p><b>Profitable Growth</b></p> <p><i>Invest where we can win</i></p>	<ul style="list-style-type: none"> <li>• Targeted growth initiatives</li> <li>• Disciplined capital expenditure</li> <li>• Portfolio Management</li> </ul>

↑  
 Supply chain excellence  
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# 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 highly 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**





# Half Year Results to 31 December 2014

**Mark Adamson** - Chief Executive Officer

**Gerry Bollman** - Chief Financial Officer

18 February 2015

# Appendix 1: Building consent data

Building Consents	Dec 2012 6 months	Dec 2013 6 months	<b>Dec 2014 6 months</b>	14/13 % Mvmt
<b>New Zealand</b>				
Residential Consents	16,929	21,300	<b>24,680</b>	+16
Non Res WPIP (\$m)	4,734	4,890	<b>5,889</b>	+20
Infrastructure WPIP (\$m)	6,517	7,494	<b>7,449</b>	-1
<b>Australia</b>				
<i>Source: Statistics NZ, Infometrics</i>				
Residential Consents - Standalone houses	90,442	99,693	<b>113,991</b>	+14
- Other dwelling types	64,162	79,414	<b>86,823</b>	+9
- Total	<b>154,604</b>	<b>179,112</b>	<b>200,814</b>	+12
Non Res WPIP (A\$Bn)	33.8	34.7	<b>36.7</b>	+6
Infrastructure WPIP (A\$Bn)*	131.7	128.8	<b>117.3</b>	-9
<b>US (Billions of 2010 US\$)</b>				
<i>Source: ABS, BIS Shrapnel</i>				
Residential Consents (US\$Bn)**	288.1	358.0	<b>361.3</b>	+1
Non Res WPIP (US\$Bn)**	367.5	365.8	<b>377.2</b>	+3
Infrastructure WPIP (US\$Bn)**	222.6	226.5	<b>237.3</b>	+5

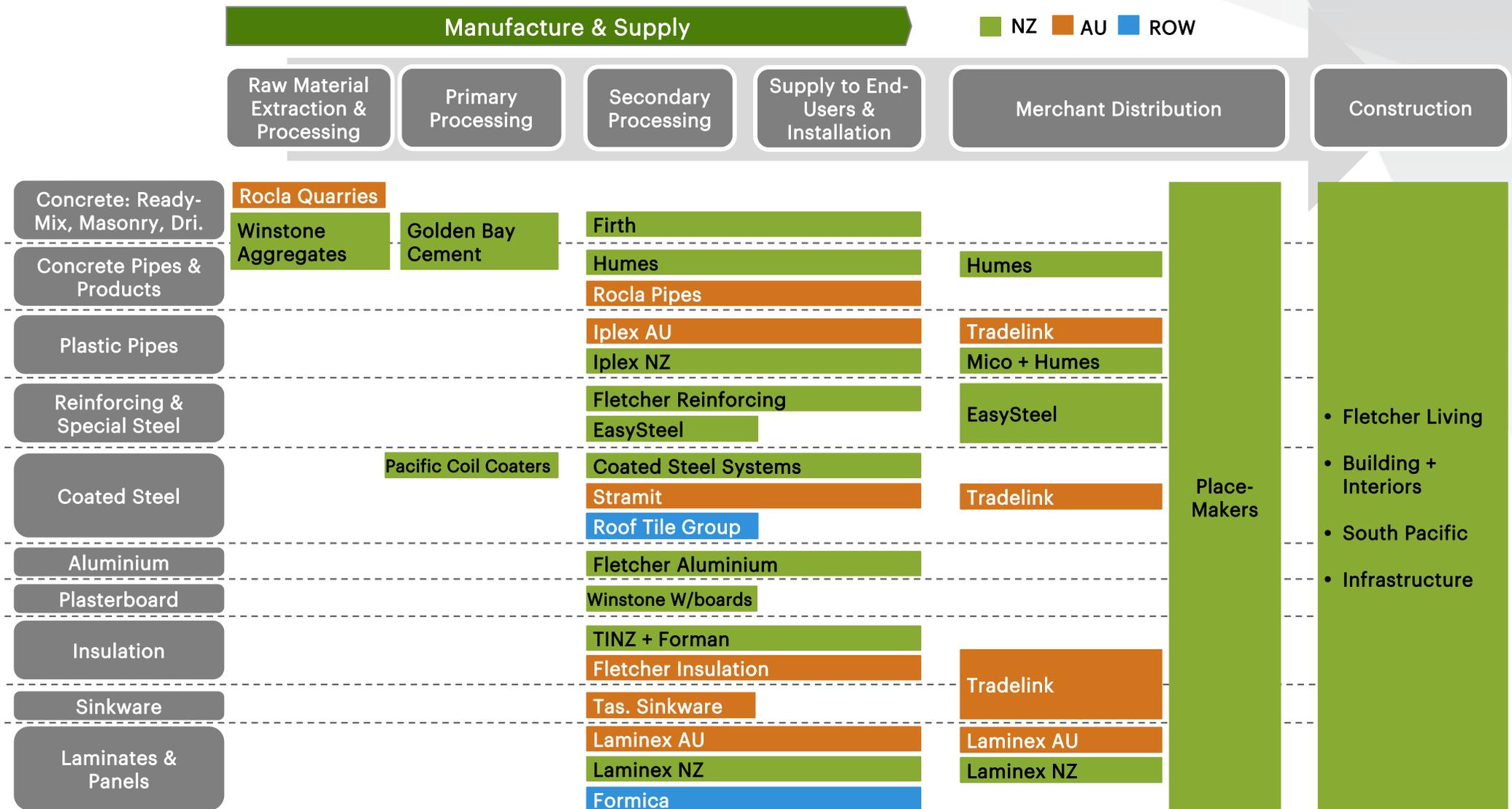
\* FY14 data includes estimate for month of December 2014

\*\* Excludes Infrastructure

*Source: IHS Global Insight*



# Appendix 2: Business Unit Roadmap



NB: RTG supplies direct to customers in Japan, but sells predominantly via merchant distributors



# Appendix 3: Divisional and Business Unit Overview

Heavy Building Products: <i>Vacant</i>	Light Building Products: Francisco Irazusta
 <ul style="list-style-type: none"> <li>• Firth + Humes</li> <li>• Golden Bay Cement + Aggregates</li> <li>• Rocla Products</li> <li>• Rocla Quarries</li> <li>• Iplex Australia</li> <li>• Iplex New Zealand</li> </ul>	 <ul style="list-style-type: none"> <li>• Winstone Wallboards + Tasman Insulation</li> <li>• Stramit</li> <li>• Coated Steel</li> <li>• Roof Tile Group</li> <li>• Aluminium</li> <li>• Insulation Australia</li> <li>• Sinkware</li> </ul>
Distribution Australia: Tim Hickey	Distribution NZ: Dean Fradgley
 <ul style="list-style-type: none"> <li>• Tradelink</li> </ul>	 <ul style="list-style-type: none"> <li>• Placemakers + <b>Forman Distribution</b></li> <li>• Mico</li> <li>• <b>Steel Distribution + Pacific Coilcoaters</b></li> </ul>
Laminates & Panels: Paul Zuckerman	Construction: Graham Darlow
 <ul style="list-style-type: none"> <li>• Laminex Australia</li> <li>• Laminex NZ</li> <li>• Formica Asia</li> <li>• Formica North America</li> <li>• Formica Europe</li> <li>• Homapal</li> </ul>	 <ul style="list-style-type: none"> <li>• Building &amp; Interiors + <b>Forman Contracting</b></li> <li>• Infrastructure</li> <li>• South Pacific</li> <li>• Housing</li> <li>• Fletcher Living</li> <li>• EQR</li> </ul>

■ Consolidated within Division ■ Transferred into new Division

