

**Building communities,
building lives.**

2017 Annual Shareholders' Meeting

25 October 2017

Fletcher Building
Annual Shareholders' Meeting 2017



Building communities,
building lives.

Sir Ralph Norris Chairman

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Directors

Sir Ralph Norris (Chairman)

John Judge

Dr Alan Jackson

Bruce Hassall

Tony Carter

Cecilia Tarrant

Steve Vamos



Meeting agenda

FY17 review

- Overview of FY17 financial performance
- Construction Division update
- Board actions
- FY17 performance by Division
- Progress on turnaround strategies

FY18 outlook

- CEO appointment
- Strategic review
- FY18 outlook and earnings guidance

ASM procedures

- Voting on resolutions
- Q&A



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2017 Performance Overview

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2017 financial performance overview

Operating earnings before significant items

\$525_m

▼ 23%

Net earnings before significant items

\$321_m

▼ 23%

Revenue

\$9,399m

▲ 4%

Total dividend per share

39c

Flat YoY

Basic earnings per share before significant items

46.3c

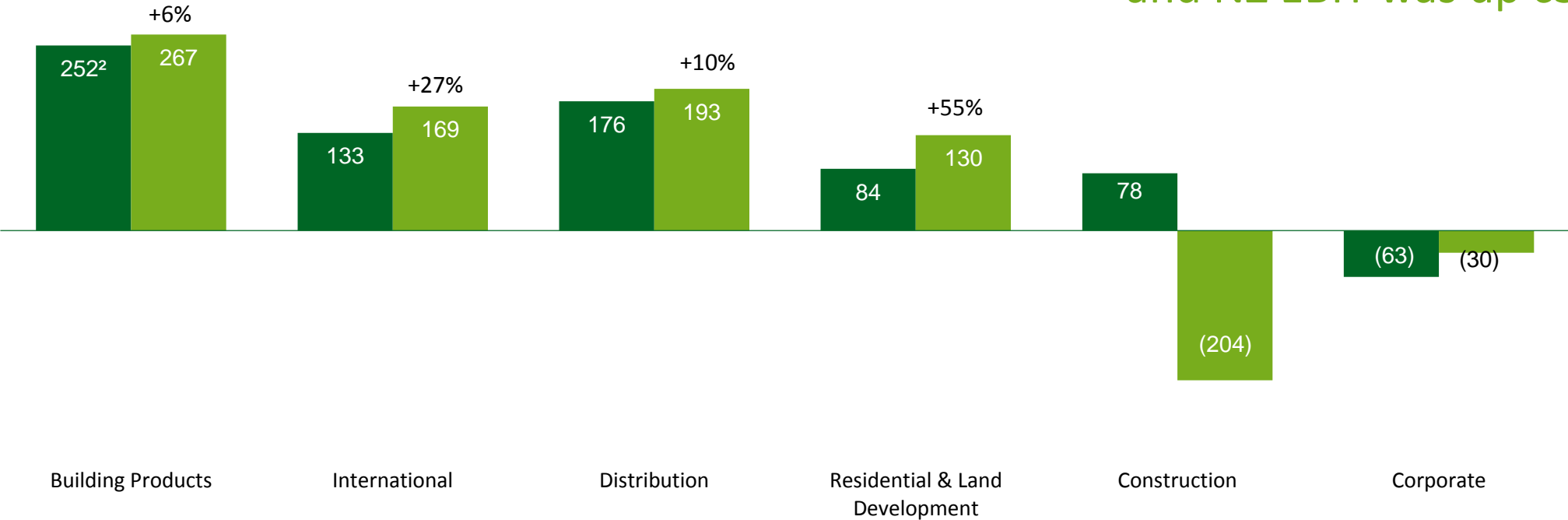
▼ 24%



Divisional performances

EBIT¹
NZ\$m

Stripping out B+I, Group EBIT was up 20% YoY
and NZ EBIT was up c30%



1. Before significant items
2. FY2016 Building Products EBIT adjusted for divestment of Rocla Quarries and Pacific Steel

■ FY 2016 ■ FY 2017



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Construction Division Update

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Construction in context

LOCAL AND GLOBAL INDUSTRY CHALLENGES

- Catch up following historical underinvestment in infrastructure and population growth creating buoyant conditions in many markets
- Skill and labour scarcity
- Transfer of risk from client to contractor
- Thin profit margins, providing little room for error
- Poor productivity

FLETCHER CONSTRUCTION CHALLENGES

- Large growth in project pipeline in short space of time
- Core capability failings in B+I
- Inconsistent approach to risk management and pricing in bid phase
- Project management resource stretched with growth in projects
- Increased complexity of project design and engineering not managed effectively



What we said we would do, and what we have done

1

Improve business and project governance

- New financial management system in place for B+I, Infrastructure and South Pacific, with project reporting now standardised
- Monthly reviews of all projects by Construction Leadership Team (CLT)
- Monthly reviews of all major projects by the CEO and Executive
- FB Board undertakes regular operational review meetings with the CLT

2

Improve commercial and construction expertise

- Recruitment of Board Director with deep construction and contracting experience
- **Chief Executive Michele Kernahan** – strong commercial expertise, led the Christchurch rebuild
- **B+I General Manager David Kennedy** 30+ years experience in construction + Balfour Beatty UK
- Highly experienced CLT, all internally appointed:
 - **David Geor, Infrastructure** ○ **Brent Leach, South Pacific** ○ **Ken Lotu-l'iga, Higgins**
- Significant recruitment in 2017 to lift skill base and augment capability – focus on project management/delivery/operations, risk and commercial management



What we said we would do, and what we have done

3

Introduce more commercial rigour around bids

- Revised bidding process has been in place since the start of 2017
- Bid criteria established – focussed on what we can win and what will deliver/exceed bid margins in today's environment
- Stage gate approval process – improved oversight of risks and mitigations
- Board now appoints a Subcommittee to review and make recommendations on major projects

4

Focus on key sectors and clients

- Better coordinated approach across FB businesses on key construction clients
- Focus on specific industry sectors and clients – strength of relationship and acceptable risk profiles



KPMG review findings: key projects

International Convention Centre / Hobson Street Hotel (B+I)

- Highly challenging project with significant remaining risks
- High staff turnover has had major adverse impact
- New, stable leadership team is improving organisation and morale
- Forecast outcome materially worse than previously expected
- Significant ongoing judgment required to account for unknown and unquantifiable risk

Commercial Bay (B+I)

- Well-run project, forecast outcome consistent with FB expectation
- Many complex technical aspects successfully worked through
- High percentage of subcontracting work contracted

Puhoi to Warkworth & Hamilton City Edge Expressway (Infrastructure)

- Well-run projects, strong partners
- Relatively early-stage, major earthworks to be undertaken over next two years – dependent on weather and terrain
- Forecast outcomes broadly consistent with FB expectation



KPMG review findings: project governance

Building + Interiors

- Need to implement standardised approach to tender process, project management, control environment, design management, and risk and opportunity management across B+I
- Increased use of “design & build” contracts and design novation underscores importance of tendering and design management expertise
- Deficiencies in processes and project controls have been key contributors to NZICC issues – new team addressing issues, but will take time to embed
- Opportunities to better-integrate JDE into project management
- Opportunities to adopt areas of good practice observed on Infrastructure projects

Infrastructure

- Governance and management processes, systems and controls are robust, clearly-defined and comprehensive



Construction Division – future focus

SAFETY	All our people going home safe every day
DELIVERY	Strengthened project management talent, robust governance, clear accountabilities, client focus
TALENT	Attracting and retaining the best people in the industry, investment in leadership and capability
BIDDING	Disciplined approach to winning new work, strengthened governance and a focus on long-term profitable growth
SYSTEMS	Stronger finance and IT systems improving our ability to forecast, manage and control performance



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Board Actions

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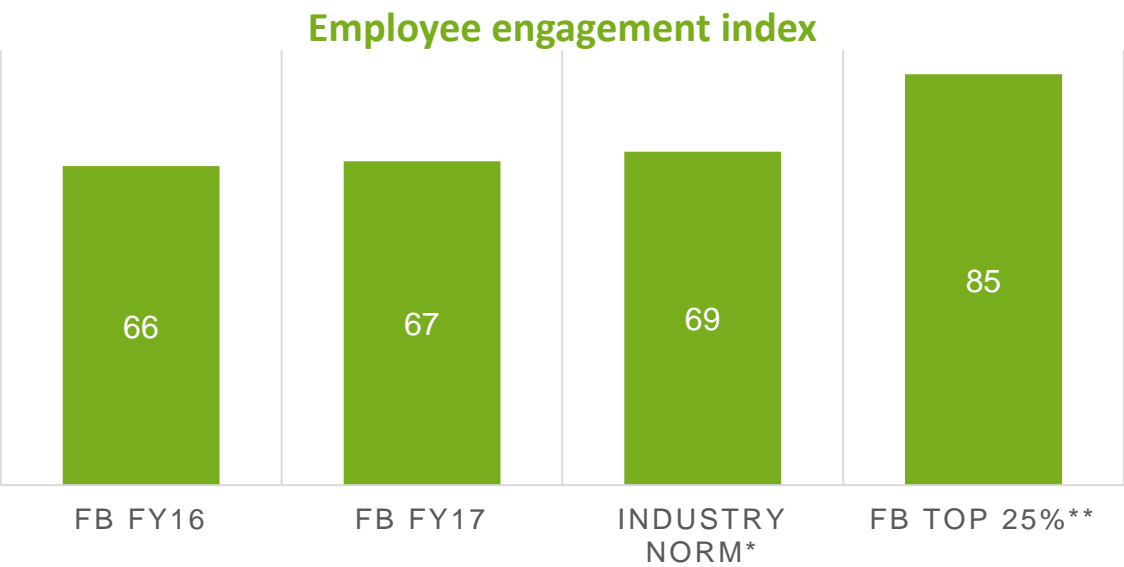
Board actions

- 1 Board renewal**
 - Appointment of a Director with deep construction and contracting experience will strengthen Board and Audit and Risk Committee
 - Additional Director will be appointed as part of standard renewal process
- 2 Director fee freeze**
 - Board resolved to reduce all Directors fees by 20%, effective immediately
 - Maintain existing requirement for Directors to acquire a holding of at least 20,000 shares as a condition of their appointment – not common amongst largest listed companies in NZ and ensures financial alignment between Board and shareholders
- 3 Best-practice communications**
 - Updated Shareholder Communications Policy, reflecting industry best practice
 - Continue to provide timely and relevant information to all shareholders



We have strong foundations

People engagement



Results of FBU Say employee engagement survey

Leadership capability

3,000+

Leadership program participants FY14-FY17

* Industry norm = composite of Manufacturing, Heavy Building Products and Retail sectors
** FB Top 25% = the top 25% of FB teams with the highest engagement



We have strong foundations

Safety performance

Total reportable injury frequency rate has reduced from 57.5 in 2006 to 6.8 in 2017.

Major new safety initiative launched in 2017 – Protect.



* Total reportable injury frequency rate, measured as the sum of lost time and medical treatment hours, per million employee and contractor hours



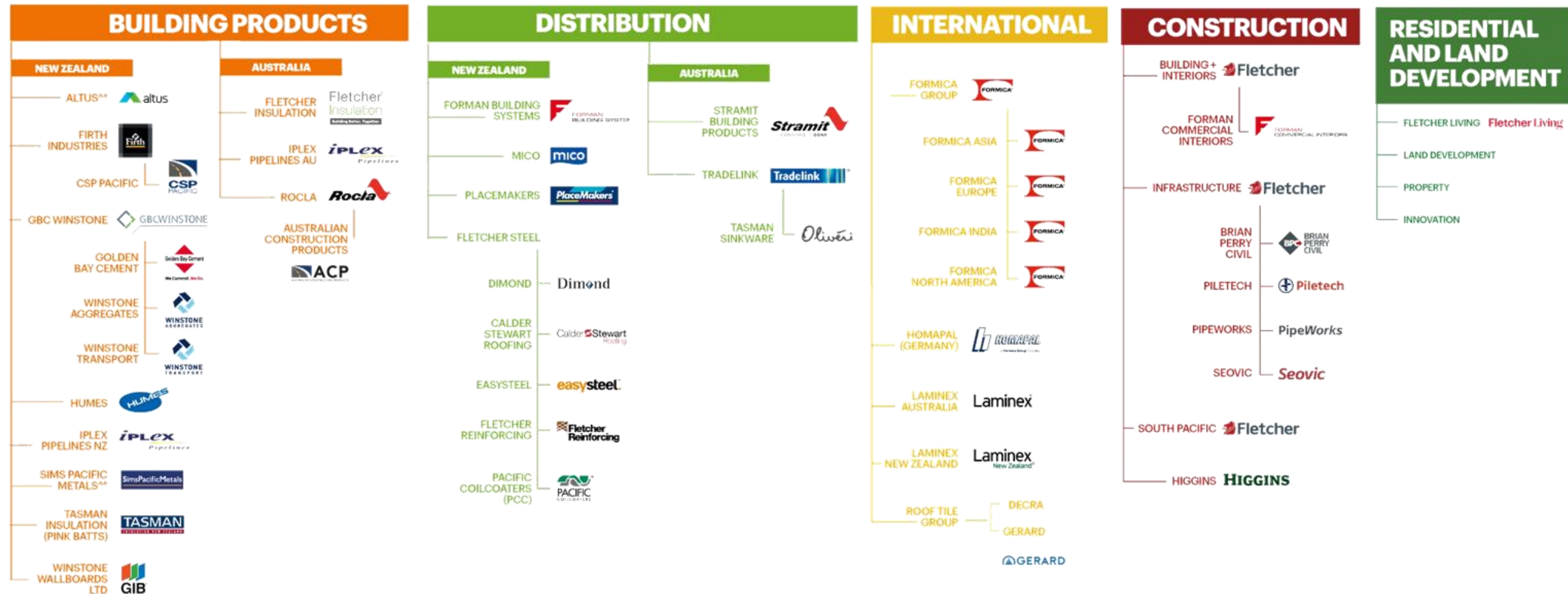
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FY17 Performance by Division

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Fletcher Building's divisional structure



Building Products Division



Chief Executive: Matt Crockett

Approx. **3,900 people** employed

Over **80 manufacturing sites** in
NZ and AU

Local investment and
high quality standards a
competitive advantage

HIGHLIGHTS

- Increased volumes, revenues and EBIT in NZ concrete and aggregates value chain
- Solid growth in demand for plasterboard and increased price for insulation
- Good EBIT improvement in plastic pipes, turnaround in Australia
- Looking for further opportunities to achieve price increases



Distribution Division



Chief Executive: Dean Fradgley

Approx. **6,000 people** employed

Over **330 retail sites** in
NZ and AU

Customer leading focus a
competitive advantage

HIGHLIGHTS

- Very good result across NZ building supplies, and NZ and AU steel distribution businesses – EBIT more than 20% higher than FY16
- PlaceMakers and Mico benefiting from heightened levels of activity in the NZ building and construction markets
- Turnaround in Tradelink gaining some momentum, but still a long way from achieving acceptable returns



International Division



Interim Chief Executive:
Mitch Quint

Approx. **5,500 people** employed

Operations across Europe, North
America and Asia

Significant **focus on innovation**
for competitive advantage

HIGHLIGHTS

- Formica group hitting \$88m of EBIT, including a \$21m positive swing in EBIT of Formica Europe
- First time there has been positive momentum in all three Formica regions
- Laminex NZ and AU proved to be a robust performer in all regions except Western Australia



Residential and Land Development Division



Chief Executive: Steve Evans

11 developments* in Auckland

5 developments* in Canterbury

Aspiration to deliver **1,000 homes** per year

HIGHLIGHTS

- Increase in residential units sold following investment in land and builds
- Still very strong demand for new houses in Auckland, while Christchurch market is well supplied
- Significant profits derived from the Land Development business, mainly due to sale of large James Fletcher Drive site



Construction Division



Chief Executive:
Michele Kernahan

Approx. **4,400 people** employed

Higgins delivered 15% ROFE
in its first year post acquisition

Significant government focus on
infrastructure investment
in NZ and AU

HIGHLIGHTS

- Infrastructure benefitted from completion of Waterview Tunnel plus MacKay's to Peka Peka road
- Higgins had very successful first year delivering \$39m of EBIT, joining Kaikoura rebuild alliance and being integrated into Construction division
- Strong year for South Pacific with 18% improvement in EBIT after completing a number of large contracts



Turnaround strategies progress



→ AUSTRALIA

- \$27m turnaround over last two years due to restructured product offering, manufacturing site improvements and cost overhead reductions
- Further upside now reliant on improved industry dynamics



→ EUROPE

- \$21m swing to positive EBIT in FY17 due to growth in local currency revenue, operational improvements of North Shields plant and overhead reductions



→ AUSTRALIA

- Early stages of improving revenue trend centred around new store rollout, regaining share of SME wallet and stocking and delivering the right products
- Significantly impacted by weakness in Western Australia and losses in market share



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CEO Appointment

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Introducing Ross Taylor

- Starts 22 November 2017
- Impressive career in construction, real estate, manufacturing and engineering sectors
- Worked across our core markets of NZ and Australia, plus Europe, Asia and USA
- Most recently CEO of UGL, an international engineering, services, construction and product manufacturing business, acquired by CIMIC in early 2017
- Prior to this Managing Director and CEO of Tenix, and before that various senior positions with Lend Lease
- Proven experience leading business turnarounds and improving performance and shareholder returns
- Direct experience across a range of our core sectors – housing, manufacturing and construction
- Focus on people and culture, safety performance, client and customer satisfaction and sustainability



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Strategic Review

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Strategic review

- CEO to lead review of Fletcher Building strategy, alongside Executive Team and Board
- Executive Team and Board have commenced a review of current business performance and the competitive landscape to assist this process
- We continually review our portfolio to ensure we are allocating capital in a way that delivers the most value to our shareholders



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FY18 Outlook and Earnings Guidance

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FY18 outlook

New Zealand

- Overall market remains robust, but with low-growth – impacted by resource constraints, unusually wet weather in Q1, and anticipation of new government policy
- Building materials and distribution businesses recording flat to low single-digit YoY growth
- Strained supply chains creating some cost headwinds
- House prices in Auckland have softened slightly, though in line with expectations and sales volumes are solid – full-year volume dependent on consent and development timelines

Australia

- Overall market flat to slightly down – eastern seaboard solid, WA still struggling
- Turnarounds are key to full-year performance: Tradelink, Fletcher Insulation, Rocla, Iplex
- Cost headwinds on energy

Rest of World

- Modest growth in local currency terms, Formica trading to plan



Earnings guidance

Given the uncertainty in estimating the final outcomes of the major B+I projects, and the resulting impact on in-year earnings, Fletcher Building is separating guidance of the B+I business from the remainder of the Group's earnings.

FY18 earnings before interest & tax (EBIT)⁽¹⁾:

Fletcher Building excl. B+I: \$680m to \$720m

B+I: Estimated loss of \$160m

Fletcher Building will provide regular updates to shareholders on performance of the B+I business and progress on key projects. Updates to take place at half-year results (February), May, full-year results (August), and Annual Shareholders' Meeting (October).

Fletcher Building will maintain its standard disclosure obligations on the FY18 earnings guidance for the Group excluding B+I.

(1) EBIT is pre-significant items



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Electronic voting instructions

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Handset instructions – inserting your smartcard

- The smartcard should be inserted into your handset
- If the smartcard is not inserted into your handset please do so now
- Make sure the chip at the bottom of the smartcard is inserted and facing you
- A welcome message will briefly appear when the card is inserted correctly
- You will then be returned to the holding screen where your name will now appear at the top of the display



Handset instructions – casting your vote

- When the chairman opens the poll, instructions will appear in the device screen.
- Use the red triangle, green square and blue track ball to select/navigate through the screens.



Handset instructions – casting your vote

- Voting options will appear on the screen. Press:
 - Button 1 to vote for
 - Button 2 to vote against
 - Button 3 to withhold your vote
- Confirmation that your vote has been received will appear on the screen.



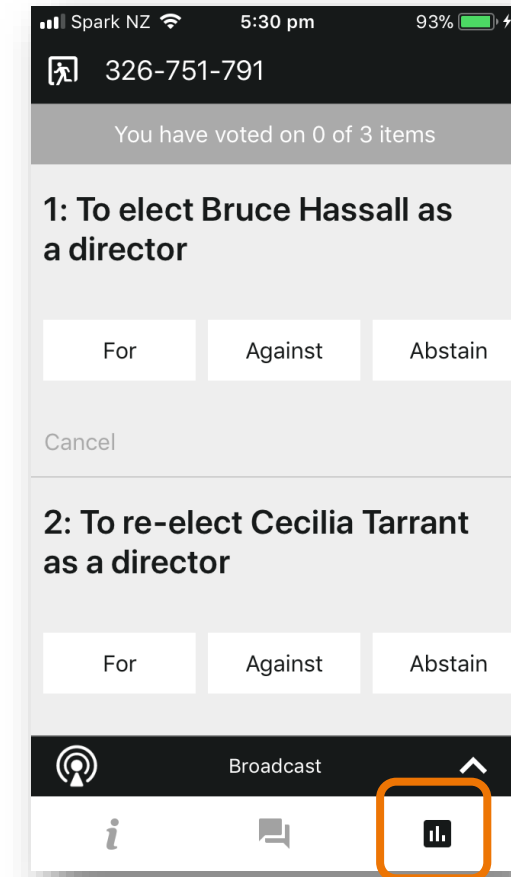
Handset instructions – casting your vote

- Confirmation that your vote has been received will appear on the screen
- To change your vote, simply enter your new choice (1, 2 or 3) to overwrite your previous selection
- If you wish to cancel your vote, press the 'X' button



Voting via Lumi AGM app

- A voting icon will appear on the navigation bar
- Select one of the options to cast your vote



ASM voting



Resolution 1:

Election of Bruce
Hassall as a director
of the company



Resolution 2:

Re-election of
Cecilia Tarrant as a
director of the
company



Resolution 3: Auditor's remuneration



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Q&A

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