

FLETCHER BUILDING LIMITED  
**NEWS RELEASE**

**Fletcher Building to buy Higgins road construction company**

**Auckland, 2 February 2016** – Fletcher Building Limited (“Fletcher Building”) announces that it will acquire the New Zealand road construction and maintenance business Higgins Group Holdings Limited (“Higgins”) and other related assets, together with Higgins’ Fiji contracting business, for a total consideration of NZ\$315 million.

The businesses being acquired as part of this transaction comprise principally:

- Higgins’ road construction and maintenance operations in New Zealand, including asphalt and bitumen plants
- Road construction and maintenance operations in Fiji
- Higgins’ aggregates business, which includes 16 operational quarries
- Other related businesses including the manufacture of traffic signs, and bitumen tanks and sprayers

Higgins’ ready-mix concrete and property businesses are excluded from the transaction.

Higgins is the third largest participant in the New Zealand road construction and maintenance sector, and is integrated with its quarry operations. The business has had a strong growth trajectory in recent years, driven by the expansion of its base from the lower North Island into the Auckland, Waikato, Bay of Plenty and Canterbury regions. This has been augmented by strong growth in its Fiji operations, where two major contracts have been won.

Higgins recorded revenue of \$391 million and underlying operating earnings (EBIT) of \$35 million in the 2015 financial year, and is expected to generate operating earnings of \$40 million in 2016. The price being paid for the business represents a multiple of 7.9 times forecast 2016 EBIT, and Fletcher Building anticipates the transaction will be earnings per share accretive from its first year. The acquisition will be funded from Fletcher Building’s existing cash and debt facilities.

The agreement is conditional on a number of factors including Overseas Investment Office and Commerce Commission consent. It is anticipated the acquisition will be completed by around 30 June 2016.

Fletcher Building has partnered with Higgins on road construction projects for over 25 years, and has forged a close working relationship with the business over that time.

Fletcher Building chief executive officer Mark Adamson said he was delighted that Fletcher Building had been able to conclude the transaction with the Higgins family.

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“We have signalled for some time our desire to extend our activities into the road construction and maintenance sector, where we have identified significant opportunity. Higgins was a logical choice for Fletcher Building to talk with given our strong history of working together.

“We believe that a combination of Fletcher Building and Higgins will provide our customers with a stronger proposition for both new road projects and maintenance contracts. We also see further benefits for a number of group businesses in being able to work more closely with Higgins, and believe that we can derive further value from the acquisition through operational synergies.

“Higgins has achieved strong growth in Fiji, and this business complements our existing South Pacific construction activities. We will be looking to extend the sphere of operations beyond Fiji into other South Pacific territories over the next few years,” Mr Adamson said.

## **ENDS**

For further information contact:

### **Investors:**

Philip King  
Group General Manager,  
Investor Relations & Capital Markets

Phone: + 64 9 525 9043  
Mobile: + 64 27 444 0203  
Email: philip.king@fbu.com

### **Media:**

Shannon Huse Caldwell  
External Communications Manager

Phone: +64 9 525 9085  
Mobile: +64 27 807 2933  
Email: shannon.husecaldwell@fbu.com

Fletcher Building is an integrated manufacturer and distributor of infrastructure and building products, and a construction company. From the smallest grain of sand to projects of great scale, we make, deliver and build to improve infrastructure, build communities and strengthen economies. We have 19,000 people working in 25 business groups in 45 countries. For more visit [www.fbu.com](http://www.fbu.com)



## About Higgins

Higgins was founded in 1958 by Dan Higgins and developed by his three sons into a mid-sized regional contractor in road maintenance and minor capital works sectors with a particular strength in its head office region of Palmerston North (Manawatu). Over the years it has also vertically integrated its operations in some regions with the manufacture and supply of concrete, aggregates and bitumen.

Recognising the need to reposition the business following the GFC and changing market dynamics, the Higgins family appointed external management (including David Geor as CEO and Ant Gale as CFO) in 2012.

Since this time Higgins has been through a period of further growth, undertaking a number of strategic initiatives to compete for large maintenance contracts.

Some of Higgins' key initiatives include:

- With HEB jointly bid for the Auckland Central East maintenance contract (Liveable Streets), securing this contract in 2013 for 4+2 years
- Securing the Western Division Maintenance contract in Fiji in 2013
- Acquiring Calcon Ltd, a Christchurch based roading and civil construction company, along with its sister company Selwyn Quarries in 2013 for \$20m
- Acquiring other land/aggregate resource in the Christchurch area
- Entering the market to bid for Network Outcome Contracts managed by the NZ Transport Agency (management of major regional highway networks), securing Manawatu and Eastern Bay of Plenty in 2014, and Hawkes Bay in 2016
- Securing board positions on many of New Zealand's major alliance road infrastructure projects including the Mackays to Peka Peka Expressway

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