



# FLETCHER BUILDING 2012 ANNUAL SHAREHOLDERS' MEETING

20 November 2012



Annual Shareholders' Meeting

# MR RALPH WATERS CHAIRMAN



*Golden Bay Cement, Whangarei (NZ)*



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## Directors

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**Ralph Waters (Chairman)**

**Mark Adamson (Managing Director)**

**Tony Carter**

**Dr Alan Jackson**

**John Judge**

**Kathryn Spargo**

**Cecilia Tarrant**

**Gene Tilbrook**



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# Meeting agenda

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**Chairman's overview and 2012 highlights**

**Chief Executive Officer's address**

**Trading outlook**

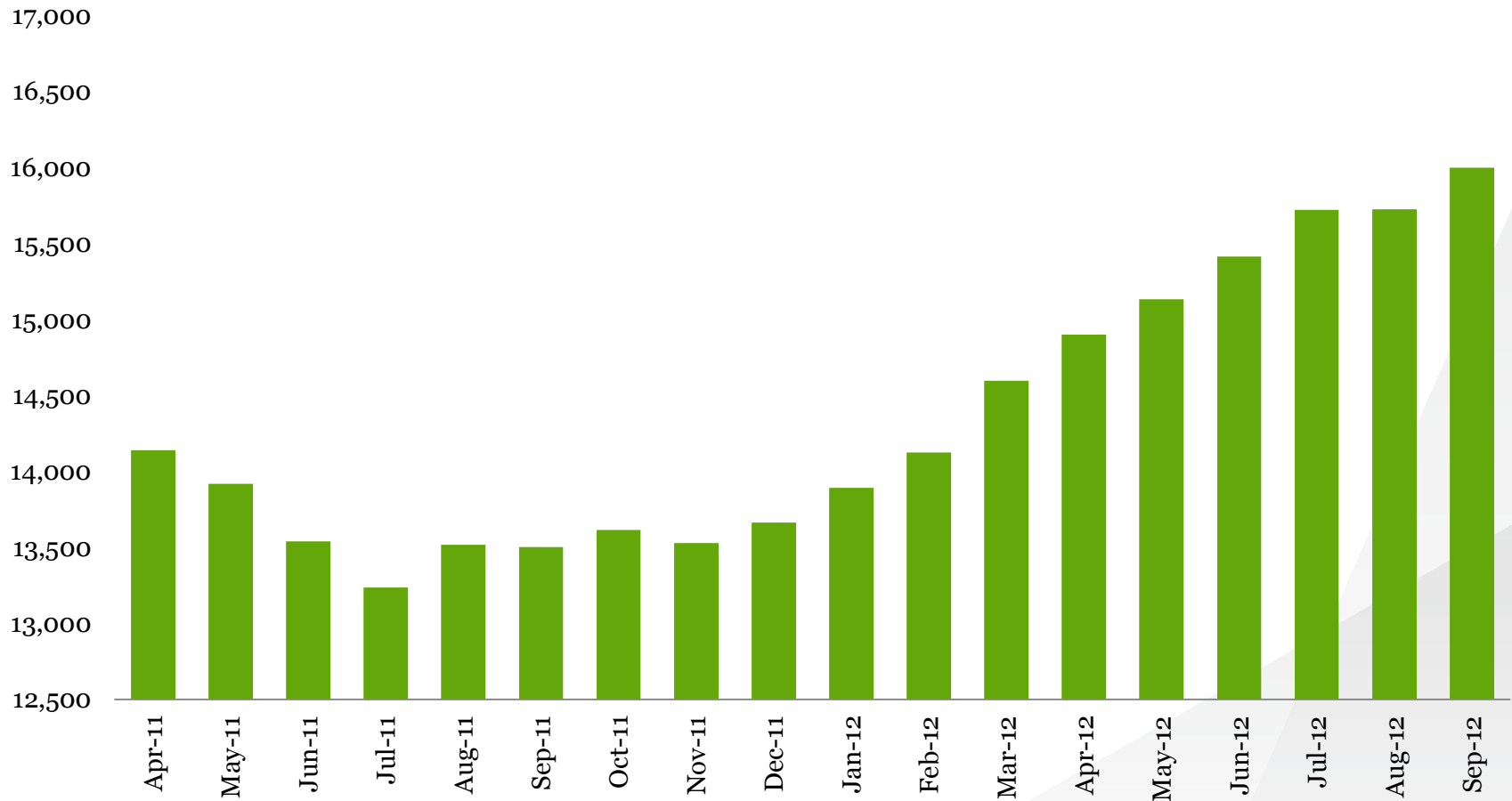
**Shareholder questions and discussion**

**Consideration of, and voting on, the resolutions of the meeting**



## New Zealand residential consents – sustained improvement

### Total residential consents; 12-month rolling – New Zealand

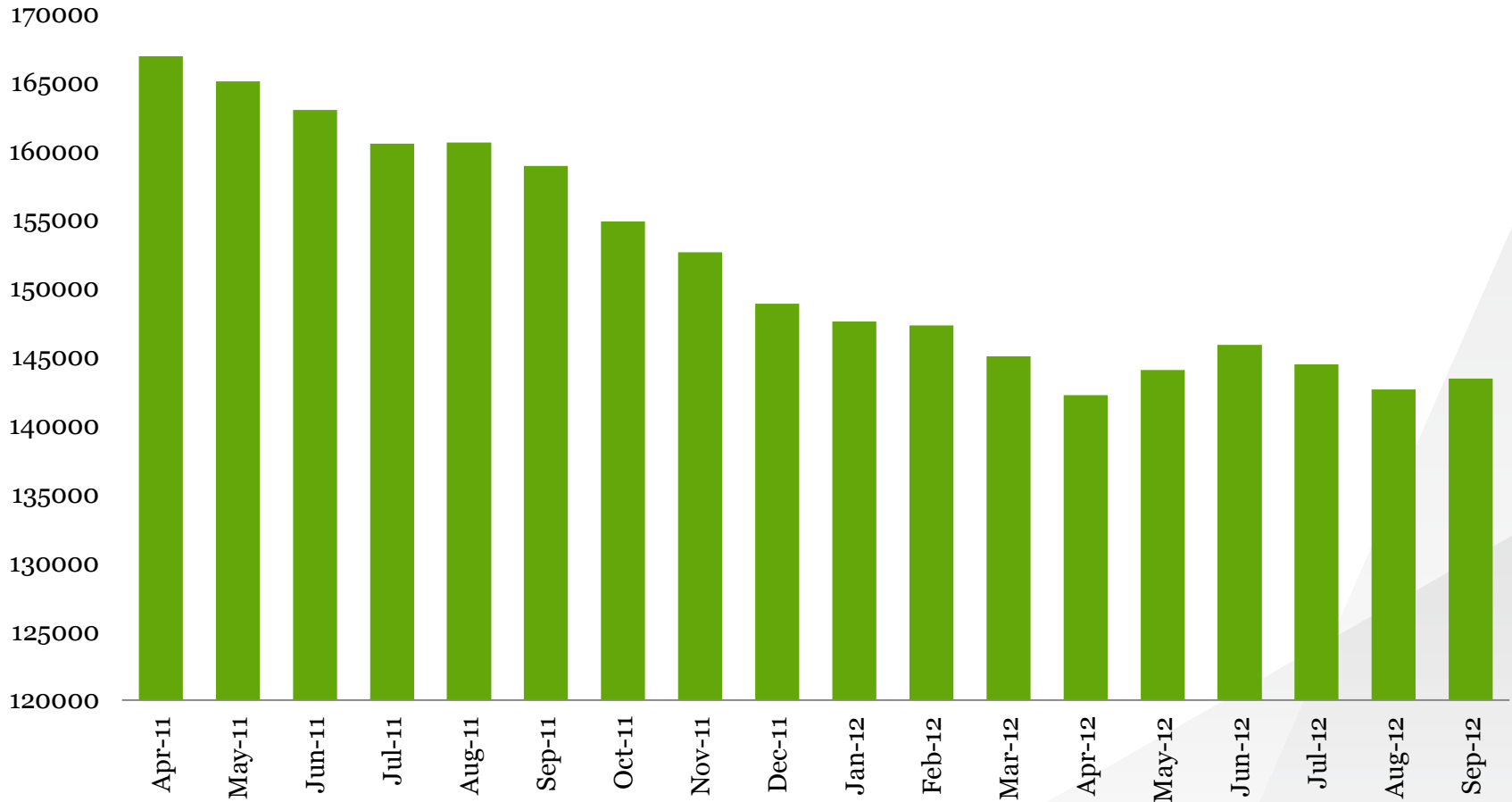


Source: Statistics NZ



# Decline in Australian residential activity during the year

## Total residential consents; 12-month rolling - Australia



Source: Australian Bureau of Statistics



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## 2012 Milestones

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### **Fletcher Earthquake Recovery progress in Canterbury:**

26,000 full-scope house repairs completed

47,000 emergency repairs completed

18,000 heating installations completed

### **First full year contribution of Crane Group**

**Strategic review of insulation business completed; restructuring programme underway in Laminex**

**Consolidation of Formica manufacturing plants in Spain**



## Results for the 2012 financial year

<b>NZ\$m</b>	<b>June 2012 12 months</b>	<b>June 2011 12 months</b>	<b>% Change</b>
Sales	8,873	7,416	+20
EBITDA <sup>1</sup>	786	801	-2
EBIT <sup>1</sup>	556	596	-7
Net earnings <sup>1</sup>	317	359	-12
Restructuring and impairment charges after tax	(132)	(76)	
Net earnings	185	283	-35
EPS – cps <sup>1</sup>	46.5	57.1	-19
Dividend - cps	34.0	33.0	+3

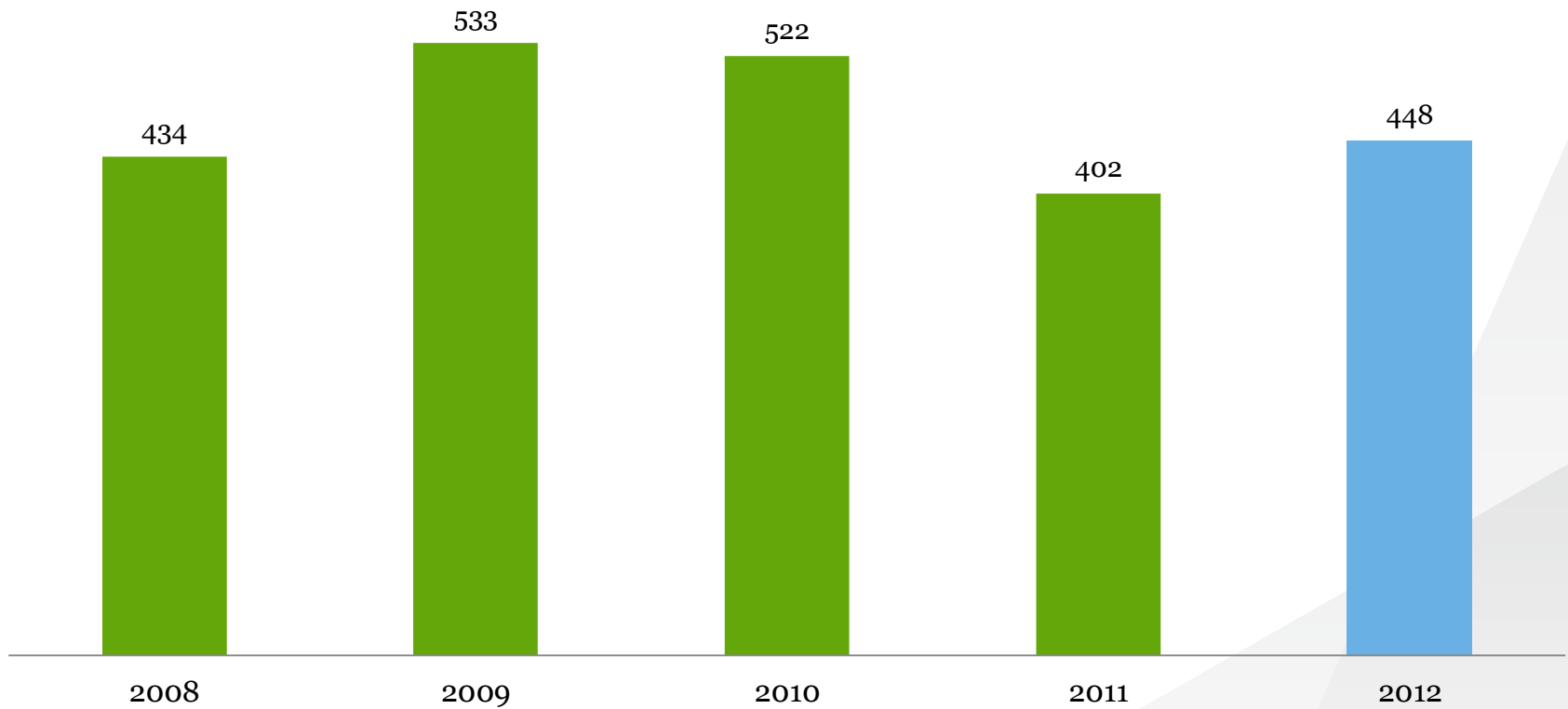
1. EBITDA, EBIT, Net Earnings and EPS all before restructuring and impairment charges





## Cashflow from operations up 11%

NZ\$m



## Building Products result

NZ\$m	June 12 12 Mths	June 11 12 Mths	% Δ
Sales	670	692	-3
EBIT <sup>1</sup>	72	111	-35

1. Excluding restructuring and impairment charges



### Plasterboard

Operating earnings down 10% due to lower volumes

### Insulation

Continued industry over-supply in Australia and NZ\$ and A\$ strength adversely impacted earnings

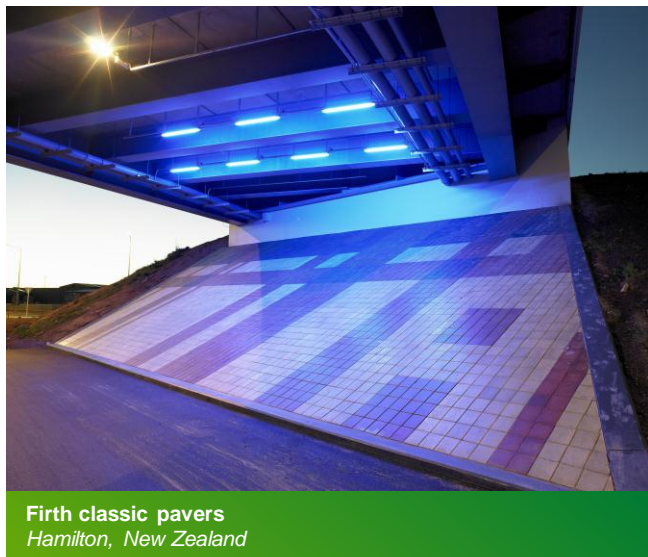
### Roof tiles

Volume growth in Africa and USA, flat volumes in Asia and down in NZ and Europe



## Concrete result

NZ\$m	June 12 12 Mths	June 11 12 Mths	% Δ
Sales	958	912	+5
EBIT	130	125	+4



Firth classic pavers  
Hamilton, New Zealand

### NZ concrete

Revenues 3% higher with most product volumes similar or slightly up on prior year;

Cement and masonry volumes lower, cement export margins also lower;

Market shares for all core products stable.

### Australia concrete

Earnings contributions from Australian Construction Products and Atlantic Civil Products acquisitions;

Pipeline products: pricing initiatives and operational enhancements increased earnings;

Quarry earnings benefited from favourable sales mix and improved margins.



## Construction result

NZ\$m	June 12 12 Mths	June 11 12 Mths	% Δ
Sales	1,040	1,140	-9
EBIT	50	60	-17



ASB North Wharf  
Auckland, New Zealand

Tighter construction margins in subdued market

Construction backlog of \$1.3 billion at the end of October

Secured contracts for Waterview motorway extension and new men's prison at Wiri – these will positively impact FY14 earnings

Residential earnings up 35% due to increased house sales, particularly in Stonefields subdivision in Auckland





## Crane result

NZ\$m	June 12 12 Mths	June 11 3 Mths
Sales	2,397	623
EBIT <sup>1</sup>	106	29

1. Excluding restructuring and impairment charges



Iplex pipe being installed  
Queensland, Australia

### Pipelines

Operating earnings up 28% to \$59 million

Increased revenues from two coal seam gas contracts

Demand from resources, civil and rural sectors offset decline in building activity

### Trade distribution

Operating earnings down 31% to \$38m due to decline in residential and commercial building

### Divestments

Corys Electrical conditional sale

Austral Wright Metals and Mico Metals sold at year end

Anticipated total proceeds of NZ\$90m



## Distribution result

NZ\$m	June 12 12 Mths	June 11 12 Mths	% Δ
Sales	813	856	-5
EBIT	27	39	-31

Revenues down 5%, impacted by continued low levels of residential house building

Increased competitor activity impacted margins in the second half

Operating costs reduced by 2% and inventory levels down by 8%



PlaceMakers  
Auckland, New Zealand



## Laminates & Panels result

NZ\$m	June 12 12 Mths	June 11 12 Mths	% Δ
Sales	1,849	1,979	-7
EBIT <sup>1</sup>	139	168	-17
-Formica	71	56	+27
-Laminex	68	112	-39

1. Excluding restructuring and impairment charges



Formica 'Vivix' exterior façade  
Santa Cristina d'Aro, Spain

### Formica

Operating earnings up 27% due to increased revenue in North America and Asia, and operational improvements

\$4m EBIT contribution from Homapal acquisition

Bilbao plant closure

### Laminex

Australian revenues down 9%

Cost increases not fully offset by compensating price changes

Staff levels reduced by 332



## Steel result

NZ\$m	June 12 12 Mths	June 11 12 Mths	% Δ
Sales	1,150	1,214	-5
EBIT	48	83	-41



Dimond – Delegats Vineyard  
Marlborough, New Zealand

Lower rollforming volumes in Australia, margins impacted by increased competition

### Long steel

Impacted by strong NZ\$ and A\$

NZ volumes up 20%, but export returns lower

Low volumes and increased competition impacted Distribution margins





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## Dividend

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Total dividend of 34 cents per share for the 2012 financial year, up on 33 cents per share distributed in 2011

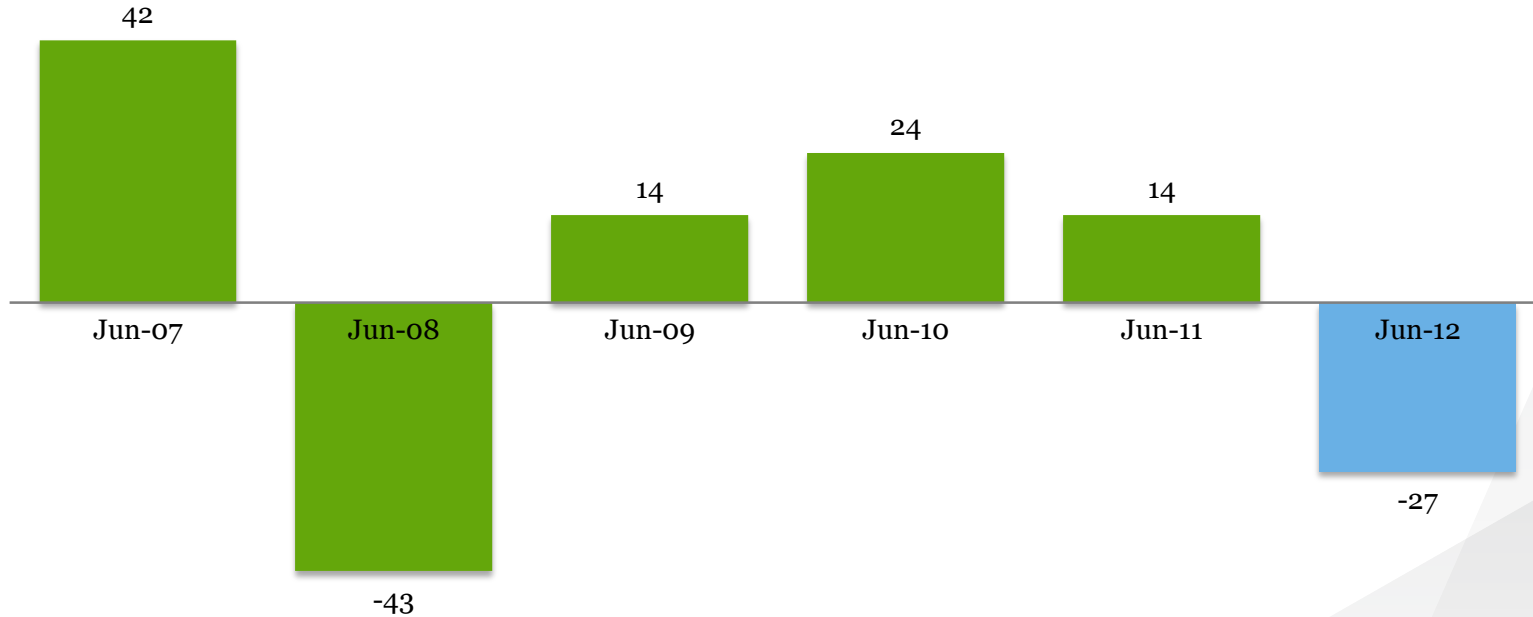
Final dividend of 17 cents per share

Dividend to grow at a slower rate than earnings in coming years, with the dividend pay-out ratio to return to between 50 and 60 per cent of earnings



# Total shareholder return

## Total Shareholder Return (TSR) Percentage



## Changes to the board

Kathryn Spargo appointed to the board in March 2012

Jonathan Ling retired from the board concurrent with his retirement as Fletcher Building Chief Executive Officer

Hugh Fletcher retired from the board at the end of September



# People





Annual Shareholders' Meeting

# MR MARK ADAMSON CHIEF EXECUTIVE OFFICER



*Golden Bay Cement, Whangarei (NZ)*



## Mark Adamson



Originally from Newcastle in Northern England

### **Past experience**

Chief Executive, Laminates & Panels division

Chief Executive, Formica Corporation

President, Formica Europe

Managing Director, Formica UK

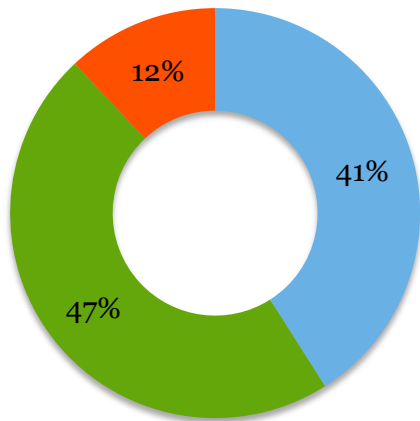
CFO, Formica Europe

Financial controller, GlaxoSmithKline



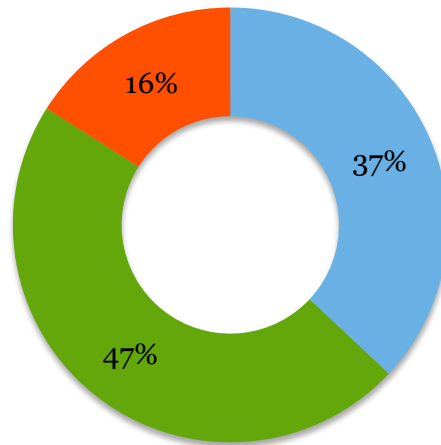
# Strategy

### Revenue (FY12)



- New Zealand
- Australia
- Rest of World

### EBIT\* (FY12)



Structure the business to deliver on agreed strategies

Continue to pursue further growth overseas, principally Australia

Selectively pursue opportunities beyond Australia/NZ: e.g Formica expansion in China and India

Priority is to deliver value from our current portfolio

\* Excluding restructuring and impairment charges



# Priorities

**Our challenge is to grow earnings regardless of the economic cycle**

Through the creation of 'centres of excellence', seek to lift our performance in:

- Procurement
- Logistics and distribution
- Manufacturing excellence
- Digital technologies
- Business services



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## Reducing distribution and logistics costs

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### **Explore opportunities to reduce cost across New Zealand and Australia**

- Sharing of retail outlets and distribution centres
- Rationalisation of sites
- Reduction in logistics costs
- Maintaining customer focus throughout is vital



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# Developing a shared services capability

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## **Improving efficiency across the business by centralising shared services**

- Finance
- Human resources
- IT
- Procurement

We expect to complete a review of these business functions by the end of the calendar year.





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## Invest in digital capability

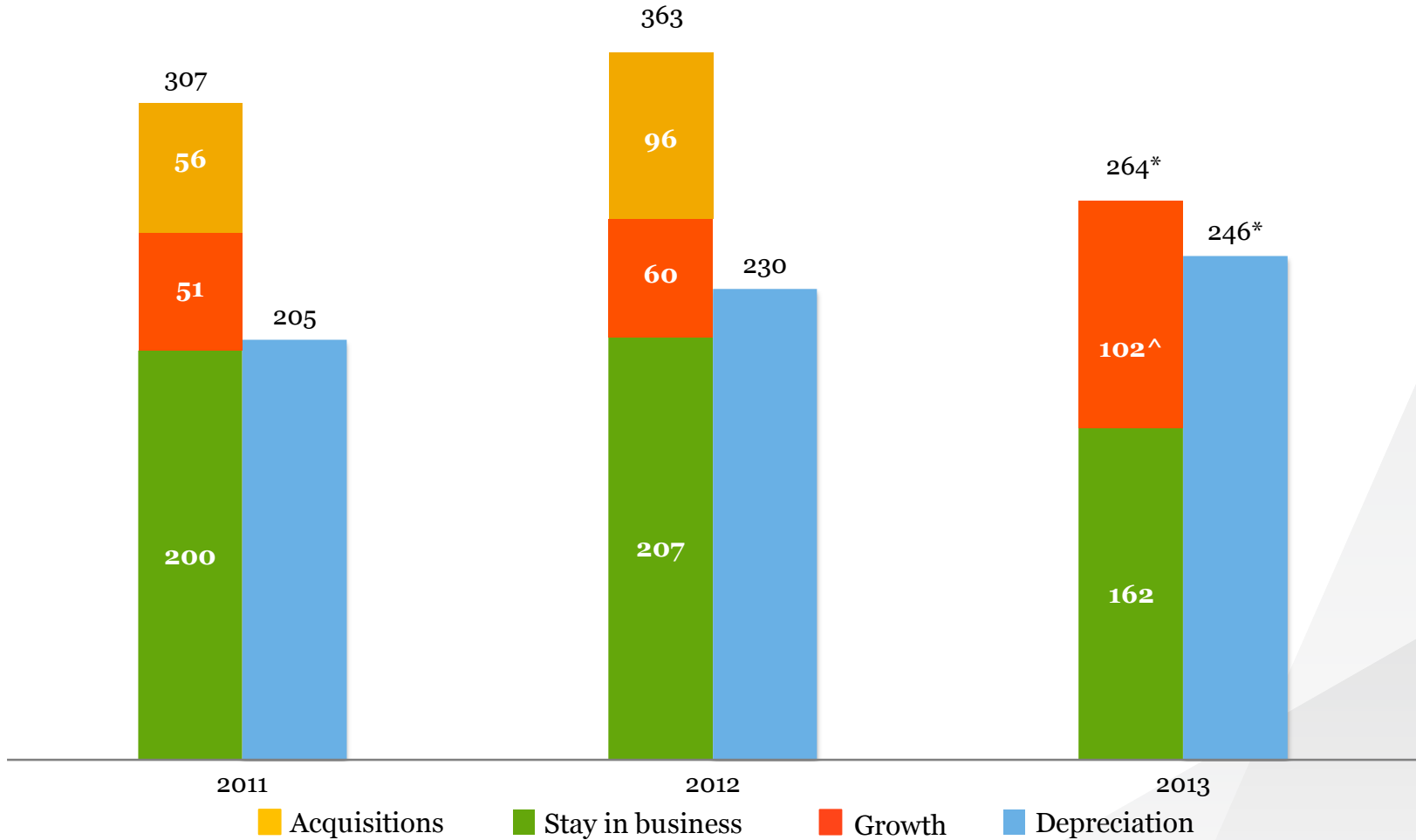
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### **Expand and improve our reach into the digital era**

- Customer interaction - Customer Relationship Management
- Improve the customer experience - point-of-sale technology etc
- Improve efficiency, reduce cost



# Planned reduction in capital expenditure in 2013



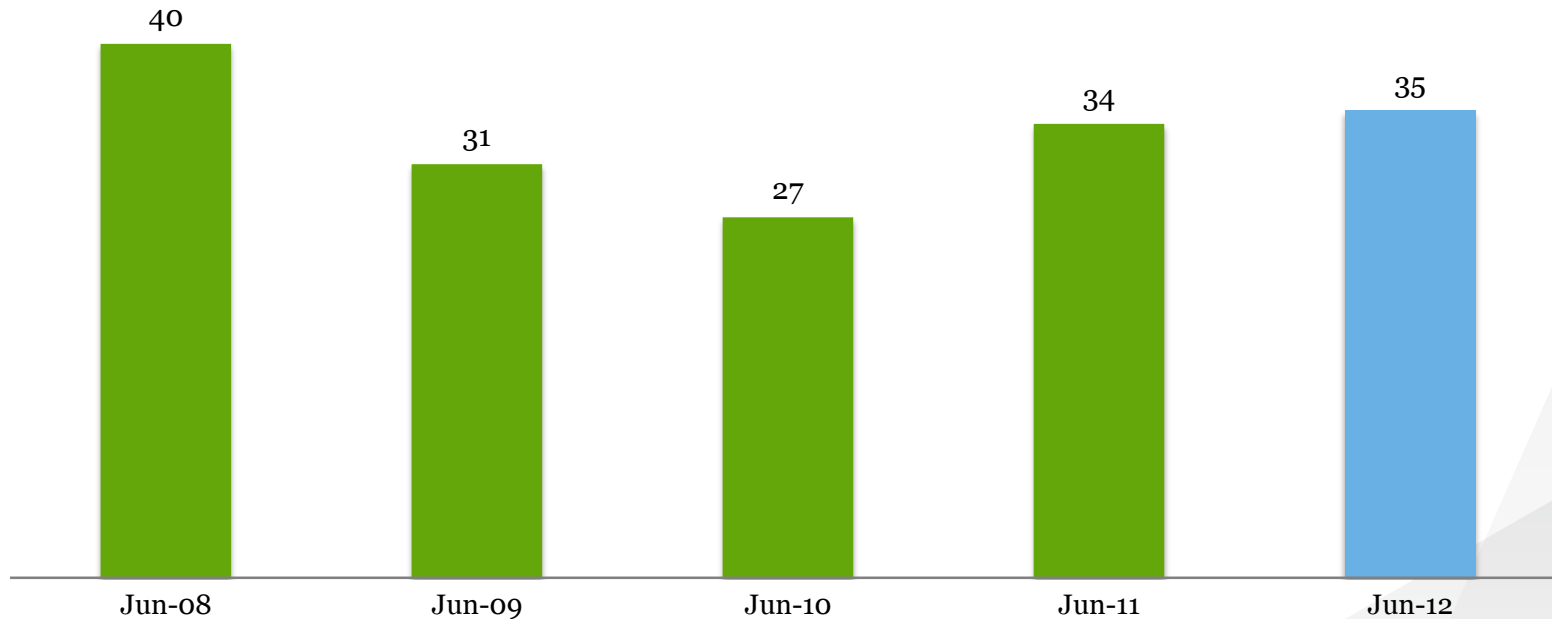
\*Budget

<sup>^</sup>Includes investment in Formica China and acquisition of HPL business in India



# Maintain a strong balance sheet

## Debt/ Debt Plus Equity Percentage



- *We currently have approximately \$800 million of undrawn banking lines and cash available.*



# Delivering on our commitment to Canterbury

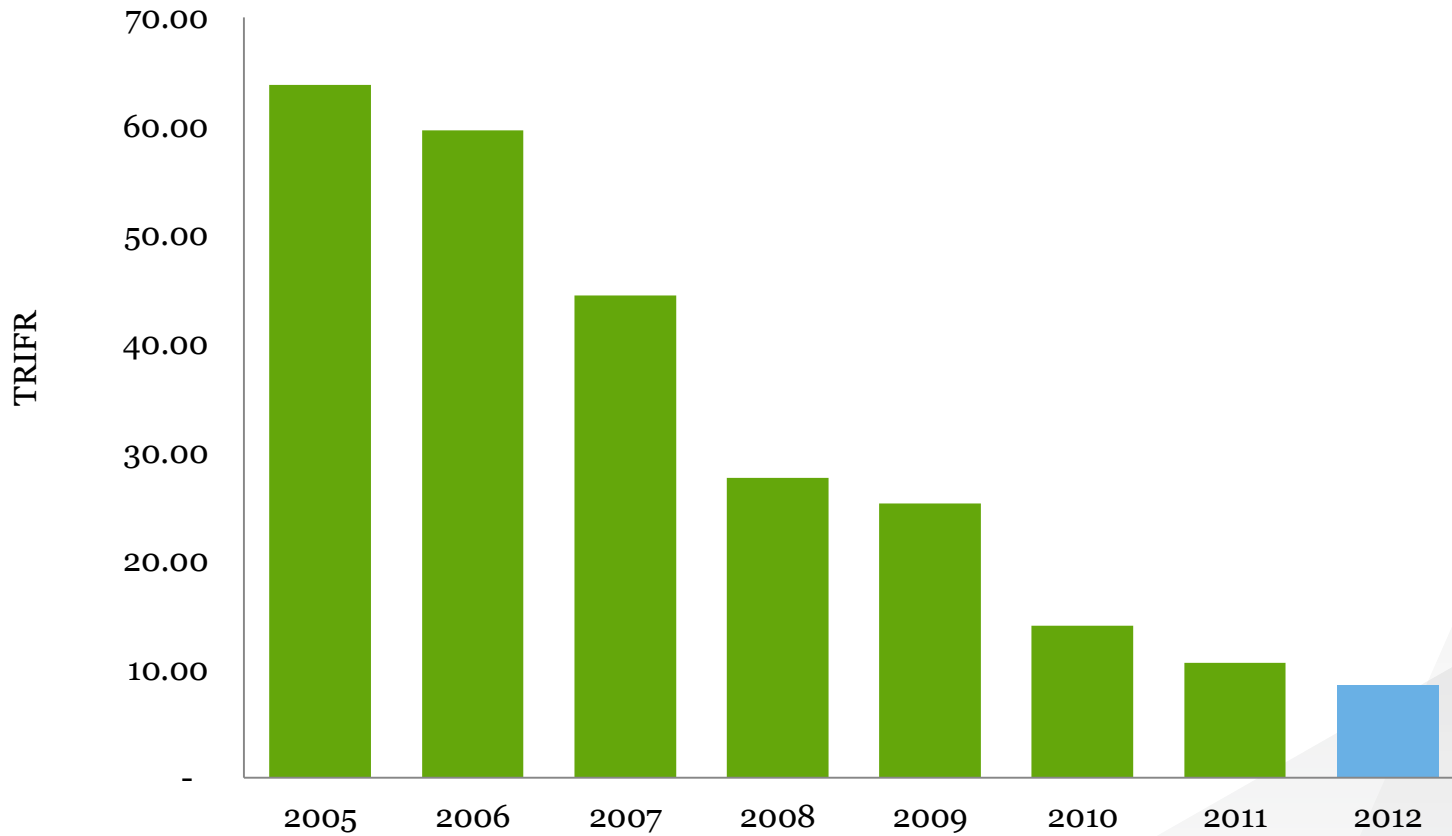


Christchurch, November 2012



# Health and safety: continued improvement

**Total recordable injury frequency rate (TRIFR)**



## Management changes

### **Gerry Bollman**

Chief Executive, Business Strategy and Performance

(formerly Vice President, Business Development, Formica Group)



### **Paul Zuckerman**

Chief Executive, Laminates & Panels division

(formerly Chief Executive, Steel)





# Divisional structure



Building  
Products

- **Plasterboard**
- **Insulation**
- **Coated Steel Products**
- **Windows & doors**
- **Sinkware**



Construction

## Construction

- **General Construction**
- **Infrastructure Projects**
- **Residential house development**



Crane

## Pipelines – Manufacture & Distribution

### Trade Distribution

- **225** Tradelink stores (Aus)
- **61** Mico stores and **2** Mastertrade stores (NZ)
- **Copper Tube – Manufacture & Distribution**



Distribution

## Building Materials Distribution

- **63** Placemakers stores



Infrastructure  
Products

- **Cement**
- **Readymix**
- **Aggregates**
- **Concrete Products**
- **Concrete Pipes**
- **Quarries**
- **Long Steel:**
  - **Reinforcing bar, mesh and wire**
  - **Scrap**
- **Steel Distribution**



Laminates  
& Panels

## Laminex

- **MDF**
- **Particleboard**
- **LPM**
- **HPL**

## Formica

- **HPL**







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# Outlook

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## **New Zealand**

Improved activity in the residential construction sector, particularly Auckland and Christchurch

Building activity in Canterbury gaining momentum as seismic activity reduces; insurance companies now offering new cover

Christchurch CBD plan released; demolition work likely to be completed by mid-2013

Sustained improvement seen in new house building in Auckland

Commercial construction likely to remain flat; infrastructure projects to underpin construction sector



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# Outlook

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## **Australia**

Continued decline in consents negatively impacting those businesses exposed to the residential market. Future outlook unclear

Improved consumer confidence a pre-requisite for a pick-up in new housing construction

Commercial construction sector weak

Infrastructure has been strong, but increased uncertainty as to timing of future resources sector projects



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# Outlook

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## **North America**

Formica benefitting from increased house building, but commercial activity yet to improve

## **Europe**

Parts of Europe remain difficult, particularly Spain; no marked improvement foreseen in the near future

Asia growth satisfactory although signs of a slowdown in China





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## Financial outlook FY2013

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### **Change in reporting of restructuring costs**

All restructuring costs will now be treated as normal expenses, and included in EBIT/operating earnings rather than shown as an unusual item

Prior period operating earnings, restated in line with new reporting approach, were \$502m including restructuring costs of \$54m

### **Operating earnings for FY2013\***

Expected to be in the range of \$560m to \$610m, including further \$20m restructuring costs

First-half earnings expected to be in line with the same period in the 2012 financial year

Second-half growth expected from momentum seen in New Zealand market

- Assumes no further deterioration in Australia or other markets





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