A photograph of the Fletcher Building at night, featuring a prominent glass facade with a green glow. The building is illuminated from within, and the sky is a deep blue. A green semi-transparent overlay covers the left side of the image, containing the title and executive information.

# Fletcher Building

## Half Year Results to 31 December 2015

**MARK ADAMSON**  
Chief Executive Officer

**GERRY BOLLMAN**  
Chief Financial Officer

17 February 2016



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## Disclaimer

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**This Half Year Results presentation dated 17 February 2016 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

► **Construction**

GREAT NORTH ROAD INTERCHANGE, AUCKLAND



## Results overview

Net earnings

**\$172<sub>m</sub>**

▲ 51%

Operating earnings

**\$288<sub>m</sub>**

▲ 29%

Revenue

**\$4,434<sub>m</sub>**

▲ 2%

Dividend per share

**19c**

▲ 6%

Earnings per share

**24.9c**

▲ 50%



## Results overview

# 51% increase in net earnings; operating earnings before significant items 4% lower

NZ\$m (except EPS and DPS)	Reported Results		% change
	Dec 2014 6 months	Dec 2015 6 months	
Revenue	4,327	<b>4,434</b>	+2
Operating earnings before significant items	290	<b>278</b>	-4
Significant items	(66)	<b>10</b>	NM
Operating earnings (EBIT)	224	<b>288</b>	+29
Net earnings before significant items	171	<b>159</b>	-7
Net earnings	114	<b>172</b>	+51
Earnings per share (EPS – cents)	16.6	<b>24.9</b>	+50
Dividend declared per share (DPS – cents)	18.0	<b>19.0</b>	+6



# Half year highlights



## Building Products EBIT

- Rocla Pipelines ▲ 25%
- Golden Bay Cement ▲ 21%
- Winstone Wallboards ▲ 17%
- Aluminium ▲ 100%
- Insulation AU & NZ ▲ 107%



## Distribution EBIT

- NZ Building Supplies ▲ 34%
- Steel Distribution NZ ▲ 13%
- Steel Distribution AU ▲ 67%



## International EBIT

- Laminex ▲ 11%
- Roof Tile Group ▲ 50%



## Portfolio Review

- Sale of Rocla Quarries assets completed
- Purchase of Higgins contracting business
- New aluminium windows & doors JV with NALCO



# Results overview

## Revenue

Revenue

**\$4,434m**

▲ 2%

- Reported revenue \$107m higher or 2% than HY15

### REVENUE GROWTH RATES

*Geographic segments in local currency*

New Zealand	+6%
Australia	-5%
Rest of World	-11%

- Adjusting for business divestments, revenue grew 5% year-on-year





# Results overview

## Operating earnings

Operating earnings

**\$288m**

▲ 29%

Operating earnings

**\$278m**

*before significant items*

▼ 4%

- Operating earnings before significant items down 4%
- Result impacted by lower Residential and Construction earnings
- Reported operating earnings (EBIT) up 29%

### SIGNIFICANT ITEMS

*Significant items related to site closures and sale of businesses*

Gain on disposal of businesses	\$16m
Site closures	(\$6m)
<b>Total</b>	<b>\$10m</b>



# Results overview

## Net earnings

Net earnings

**\$172m**

▲ 51%

Net earnings

**\$159m**

*before significant items*

▼ 7%

- Net earnings before significant items down 7% to \$159m
- Prior period significant expense items of \$66m

### EARNINGS PER SHARE

Earnings per share	24.9 cents	+50%
--------------------	------------	------

Earnings per share <i>(before significant items)</i>	23.0 cents	-8%
---	------------	-----



# Results overview

## Dividend

Dividend per share

**19c**

▲ 6%

- Dividend not franked for Australian tax purposes or imputed for New Zealand tax purposes
- Dividend Reinvestment Plan will be operative for this dividend

### KEY DIVIDEND DATES

Dividend paid	13 April 2016
Shares quoted ex dividend	22 March 2016



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## Results overview

# Cashflow from operations

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Cashflow from operations

**\$170m**

▲ 16%

- Cashflow from operations \$170m increased by \$24m from HY15 (\$146m)
- Increase is due to:
  - Reduced general working capital
  - Partly offset by increased expenditure on residential land



# Geographic & Sectoral Analysis

► Construction

ST JOHN GUISE STADIUM, PNG

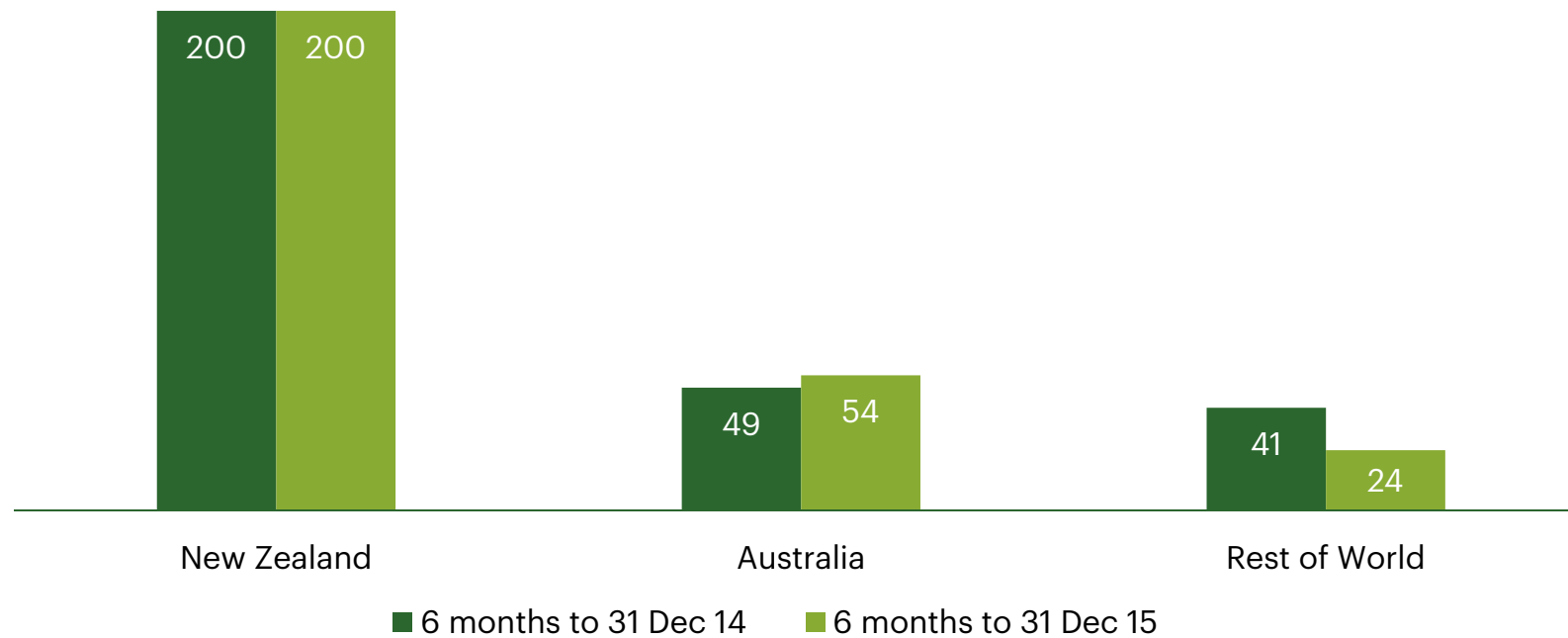


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# New Zealand operating earnings were flat half on half, while Australia increased 10%

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

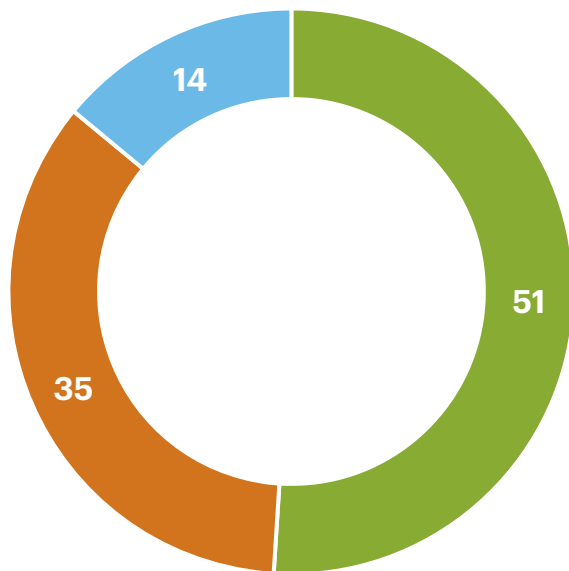


1. Before significant items



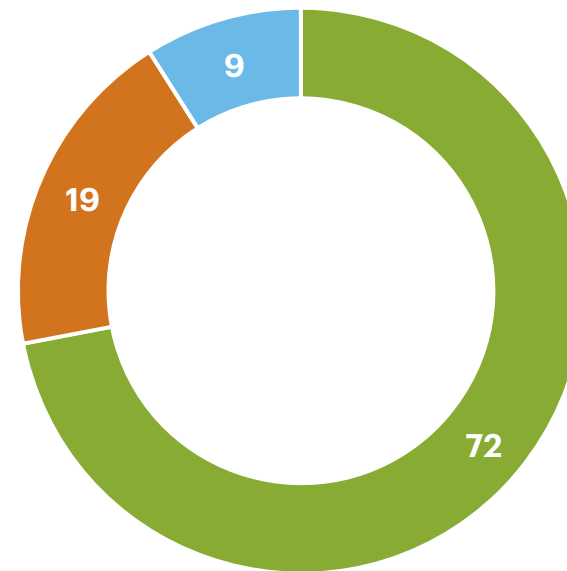
# Geographic earnings mix reflects strength of NZ market

**External Revenue**  
(6 months to 31 December 2015)



■ New Zealand ■ Australia ■ Rest of World

**EBIT<sup>1</sup>**  
(6 months to 31 December 2015)



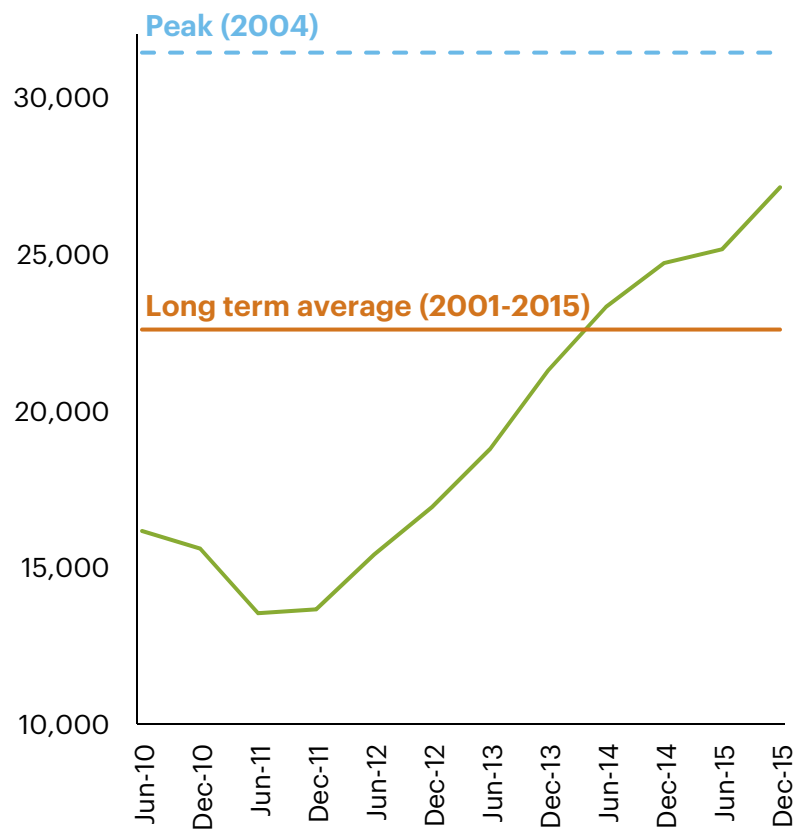
■ New Zealand ■ Australia ■ Rest of World

1. Before significant items



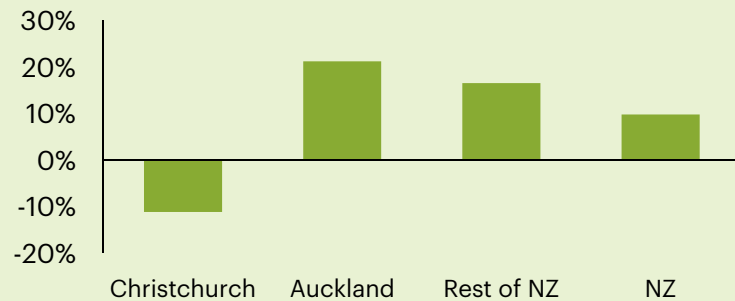
# New Zealand residential consents up 10% to 27,132 driven by growth in Auckland

## Total residential consents<sup>1</sup>



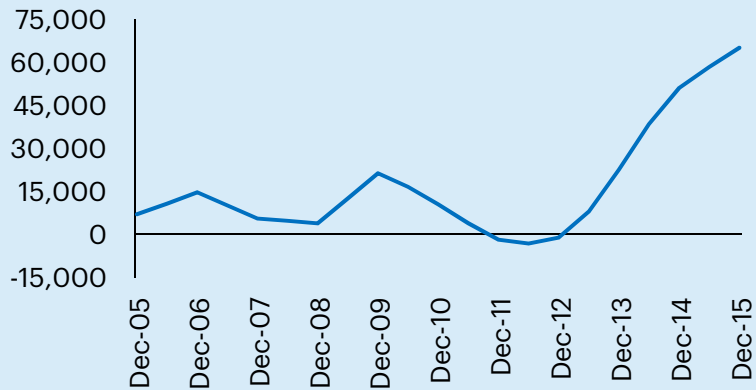
Source: Statistics NZ, Infometrics  
1 - Twelve months rolling

## Change % year on year



**Auckland and Christchurch represent 58% of total consents**

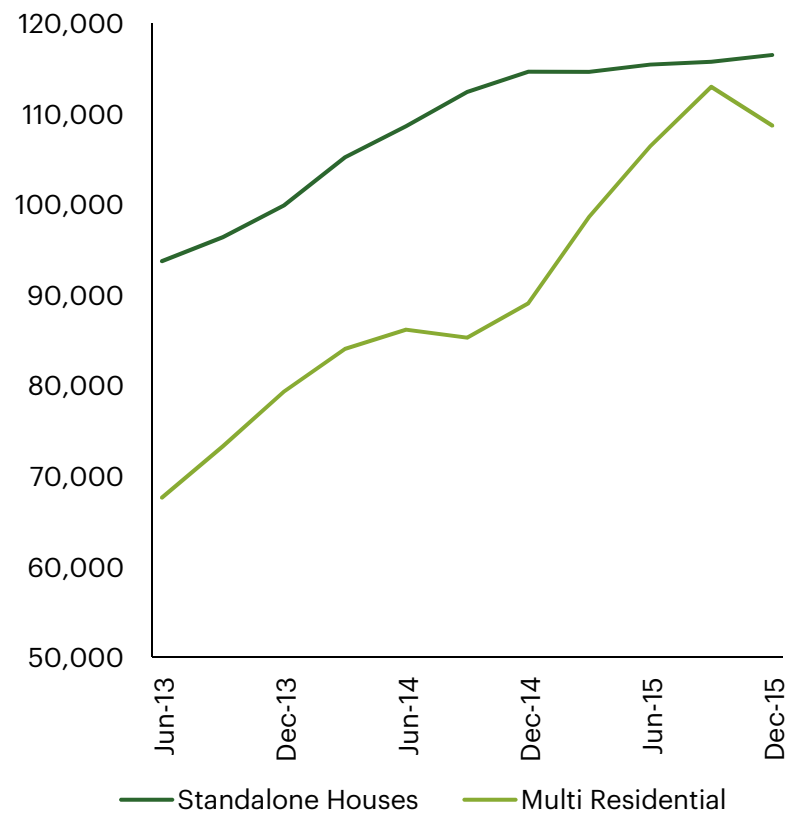
## Net Migration 12 month rolling





# Australian residential consents rose to record levels over past 12 months

## Total residential consents<sup>1</sup>



	Dec 2014 12 months	Dec 2015 12 months	% change
Stand-alone	114,690	116,549	+2
Multi Residential	89,090	108,737	+22
<b>Total</b>	<b>203,780</b>	<b>225,286</b>	<b>+11</b>

- Multi residential and other dwellings drove increase in consents and increased their proportional share to 48% of total dwellings approved

Source: Australian bureau of statistics, BIS Shrapnel  
1 - Twelve months rolling



Fletcher Building Half Year Results Presentation 2016

# Divisional Performances

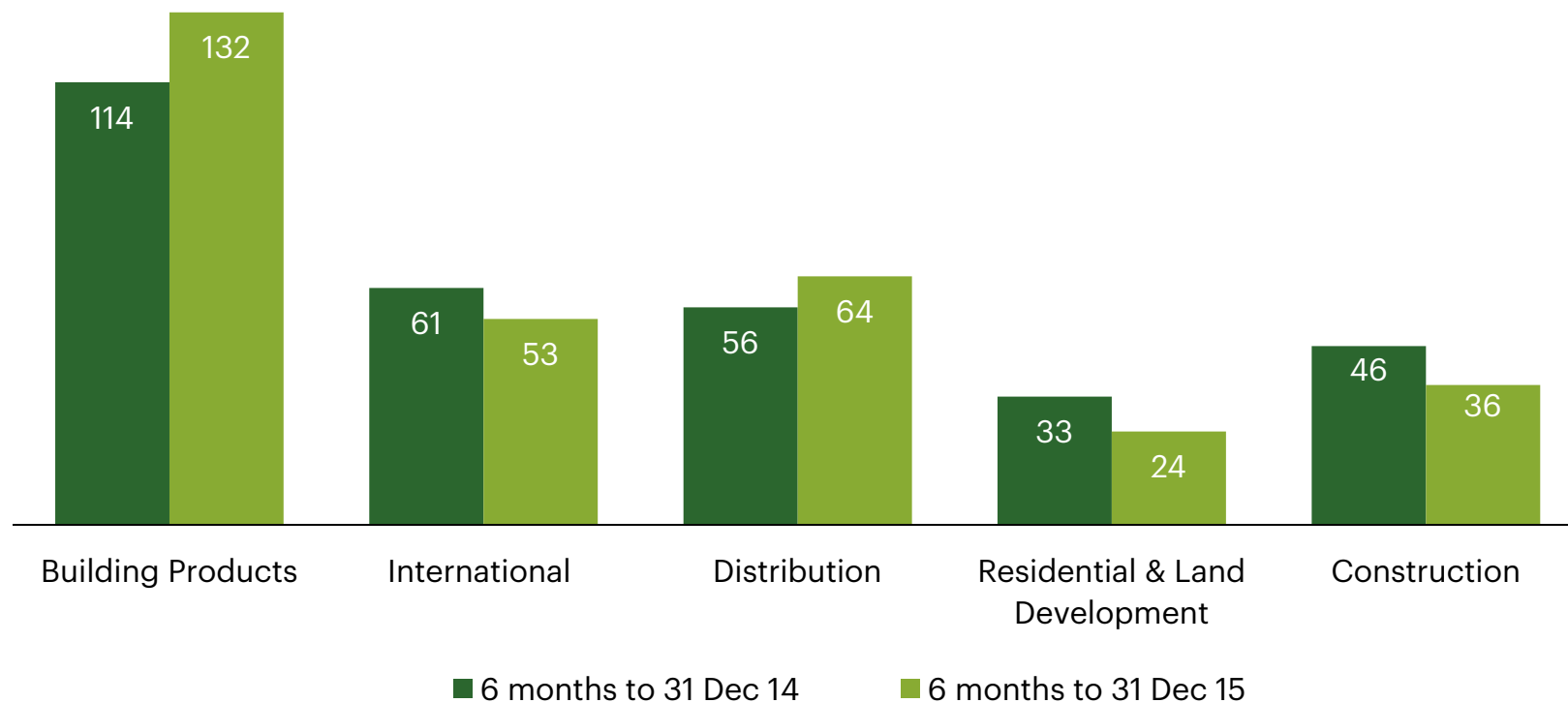
▶ Residential & Land Development  
STONEFIELDS



# Divisional operating earnings

## Strong performance from Building Products and Distribution divisions

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



1. Before significant items



# Building Products Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Gross Revenue	1,320	<b>1,265</b>	-4
External Revenue	1,069	<b>1,021</b>	-4
EBITDA <sup>1</sup>	164	<b>172</b>	+5
EBIT <sup>1</sup>	114	<b>132</b>	+16
<i>Cement &amp; Aggregates</i>	39	<b>44</b>	+13
<i>Concrete Pipes &amp; Products</i>	30	<b>27</b>	-10
<i>Building Materials</i>	38	<b>48</b>	+26
<i>Plastic Pipes</i>	(3)	<b>2</b>	NM
<i>Joint Ventures &amp; Other</i>	10	<b>11</b>	10
Funds Employed	1,880	<b>1,748</b>	-7
EBITDA/gross revenue % <sup>1</sup>	12	<b>14</b>	
EBIT/gross revenue % <sup>1</sup>	9	<b>10</b>	
ROFE % <sup>2</sup>	12	<b>15</b>	

1. Before significant items  
2. Annualised

## Cement & Aggregates

Operating earnings increased 13%

New Zealand cement volumes up 3%

## Concrete Pipes & Products

Ready-mix concrete volumes increased 8%

Pipe volumes up 6% in Australia

## Building Materials

Plasterboard volumes increased 9%

Insulation volumes up 12% in New Zealand, and up 9% in Australia, with share gains in both markets

## Plastic Pipes

Significant improvement in Iplex Australia performance

## JV & Other

Aluminium earnings doubled, driven by operational changes



# International Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Gross Revenue	1,001	<b>1,080</b>	+8
External Revenue	990	<b>1,067</b>	+8
EBITDA	92	<b>87</b>	-5
EBIT	61	<b>53</b>	-13
<i>Formica</i>	20	<b>6</b>	-70
<i>Laminex</i>	37	<b>41</b>	+11
<i>Roof Tile Group</i>	4	<b>6</b>	+50
Funds Employed	1,908	<b>2,041</b>	+7
EBITDA/gross revenue %	9	<b>8</b>	
EBIT/gross revenue %	6	<b>5</b>	
ROFE % <sup>1</sup>	6	<b>5</b>	

1. Annualised

## Formica

Revenue growth in North America

Lower revenues and volumes in Asia and Europe

Restructuring costs in Europe

## Laminex

11% growth in operating earnings

Revenue growth in both New Zealand and Australia

Continued benefits from operational efficiencies & restructuring

## Roof Tile Group

Sales volumes improved in North America and Europe



# Distribution Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Gross Revenue	1,650	<b>1,674</b>	+1
External Revenue	1,535	<b>1,531</b>	-
EBITDA <sup>1</sup>	72	<b>79</b>	+10
EBIT <sup>1</sup>	56	<b>64</b>	+14
<i>NZ Building Supplies</i>	29	<b>39</b>	+34
<i>NZ Steel Distribution</i>	15	<b>17</b>	+13
<i>AU Building Supplies</i>	6	<b>(2)</b>	NM
<i>AU Steel Distribution</i>	6	<b>10</b>	+67
Funds Employed	991	<b>1,049</b>	+6
EBITDA/gross revenue % <sup>1</sup>	4	<b>5</b>	
EBIT/gross revenue % <sup>1</sup>	3	<b>4</b>	
ROFE % <sup>2</sup>	11	<b>12</b>	

1. Before significant items

2. Annualised

## New Zealand Building Supplies

Revenue up with growth in all trade related segments

Operating earnings up 34%

## New Zealand Steel Distribution

Operating earnings up 13% with volume growth at Pacific Coilcoaters

## Australia Building Supplies

3% decrease in Tradelink revenue

Tradelink continues to focus on its core trade customers

Restructuring costs incurred during the period

## Australia Steel Distribution

Operating earnings increased 67%

Significant operational improvements in Stramit drove performance



# Residential and Land Development Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% Change
Gross Revenue	101	<b>108</b>	+7
External Revenue	101	<b>108</b>	+7
EBITDA	33	<b>24</b>	-27
EBIT	33	<b>24</b>	-27
Funds Employed	209	<b>295</b>	+41
EBITDA/gross revenue %	33	<b>22</b>	
EBIT/gross revenue %	33	<b>22</b>	
ROFE % <sup>1</sup>	32	<b>16</b>	

## NZ Residential Development

Increased revenue driven by strong New Zealand market

Reduced sales from Stonefields, partly offset by increased sales elsewhere in Auckland

Significant progress in securing land for future development over the next few years

Construction underway at Three Kings in Auckland and Awatea in Christchurch

1. Annualised



# Construction Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Gross Revenue	640	<b>748</b>	+17
External Revenue	632	<b>707</b>	+12
EBITDA <sup>1</sup>	50	<b>40</b>	-20
EBIT <sup>1</sup>	46	<b>36</b>	-22
Funds Employed	(19)	<b>(37)</b>	NM
EBITDA/gross revenue % <sup>1</sup>	8	<b>5</b>	
EBIT/gross revenue % <sup>1</sup>	7	<b>5</b>	

## New Zealand Construction

Gross revenue increased 17% driven by increased construction activities

Operating earnings lower due to the timing of projects

Total contracted work awarded but not completed was \$3.3 billion as at 31 Dec 2015, up from \$2.4 billion at the year end

New contracts awarded include:

- NZ International Convention Centre
- Precinct Properties Downtown site redevelopment
- Auckland International Airport terminal upgrade

1. Before significant items





# Financial Results

► **Building Products**  
CSP PACIFIC



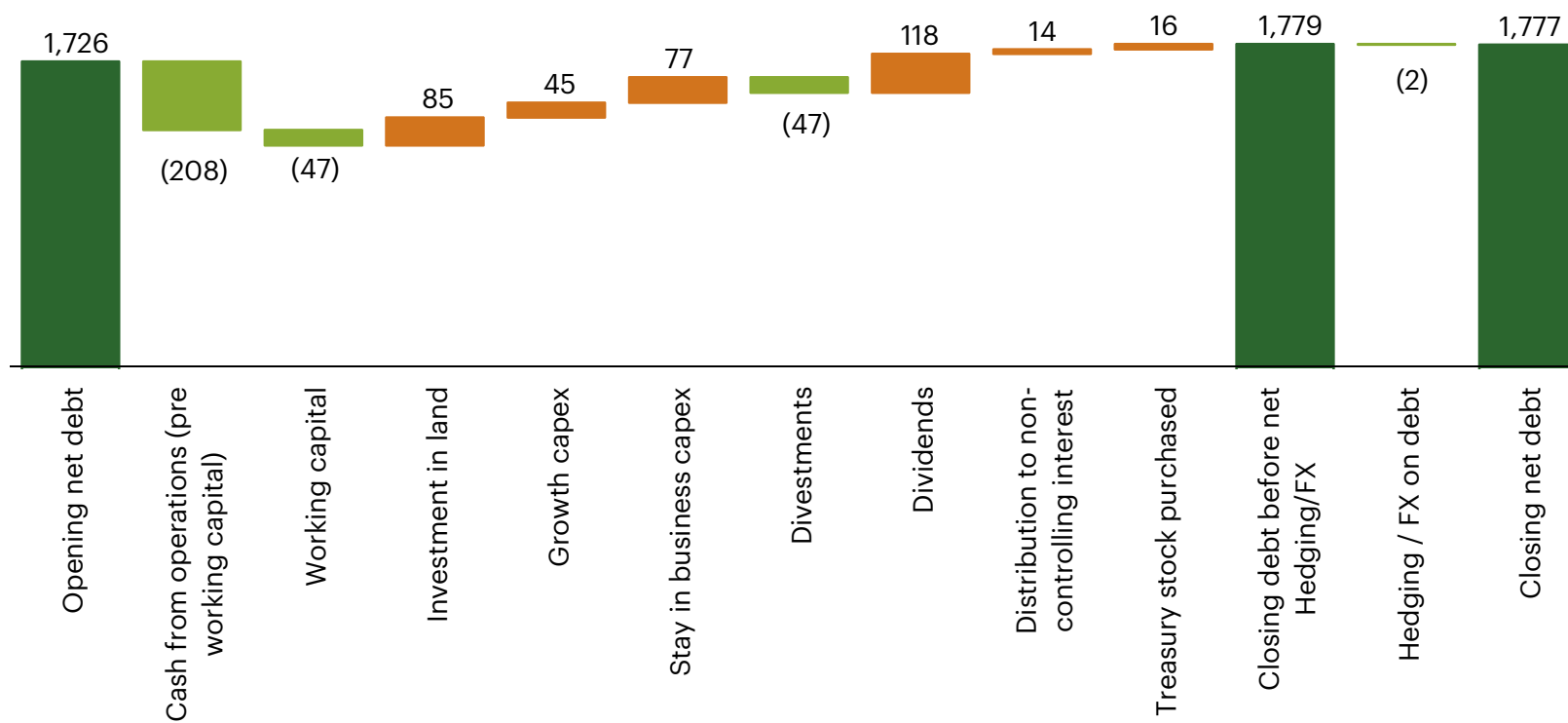
# Operating cashflow

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
<b>Operating earnings before significant items</b>	290	<b>278</b>	-4
Depreciation and amortisation	103	<b>97</b>	-6
Less cash tax paid	(29)	<b>(67)</b>	NM
Less interest paid	(63)	<b>(60)</b>	-5
Provisions, significant items and other	(19)	<b>(40)</b>	NM
<b>Results from operations before working capital adjustments</b>	282	<b>208</b>	-26
Land and developments	(100)	<b>(85)</b>	-15
Other working capital movements	(36)	<b>47</b>	NM
<b>Cash flows from operating activities</b>	146	<b>170</b>	+16



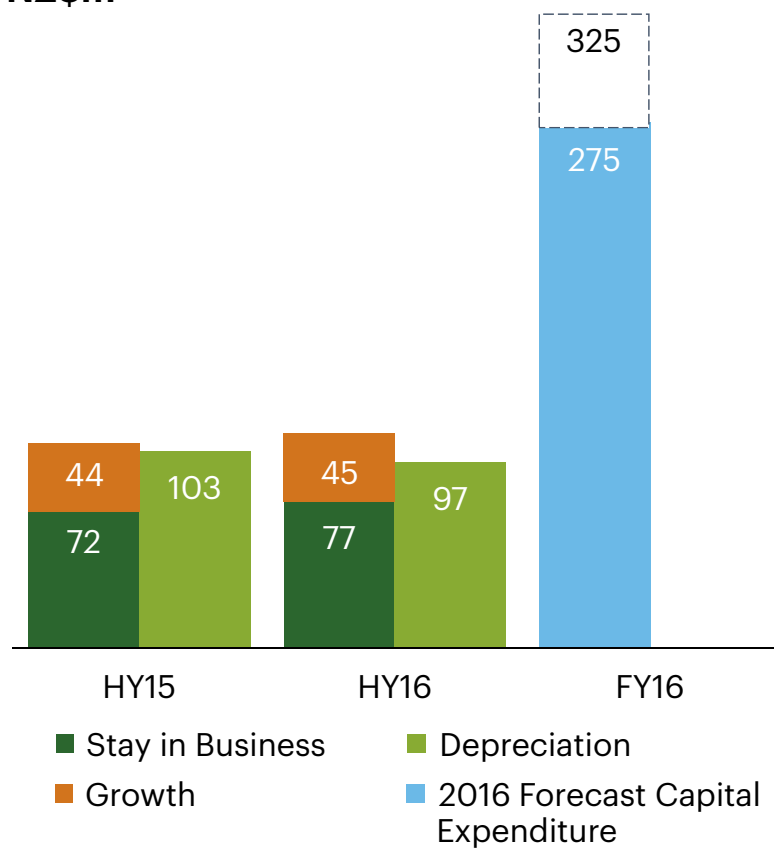
# Underlying net debt stable

NZ\$m



# Capital expenditure

NZ\$m



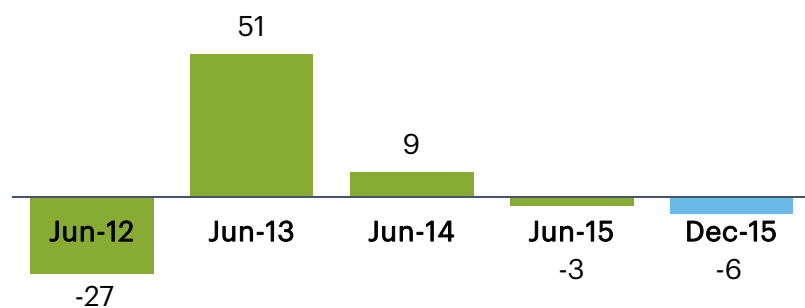
NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Stay-in-business	72	<b>77</b>	+7
Growth	44	<b>45</b>	+2
<b>Total Capex</b>	116	<b>122</b>	+5
<b>Depreciation</b>	103	<b>97</b>	

- For FY16, Capital expenditure is expected to be in the range of \$275m - \$325m

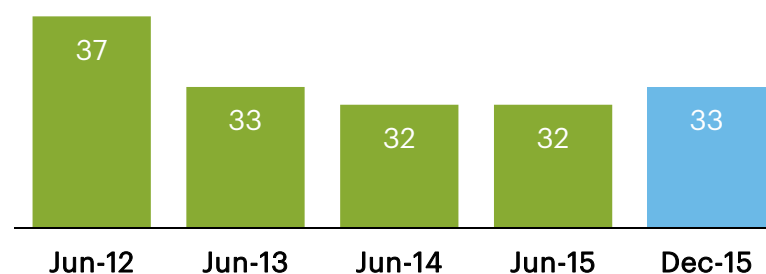


# Key ratios

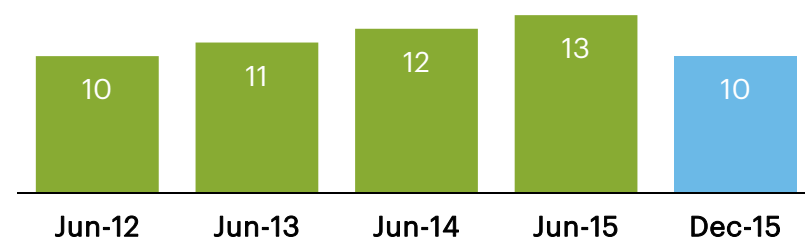
**Total Shareholder Return (TSR) Percentage**



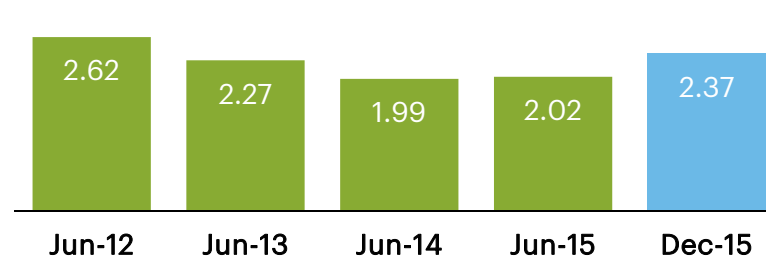
**Debt/Debt Plus Equity Percentage**



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



**Net Debt/EBITDA Times**

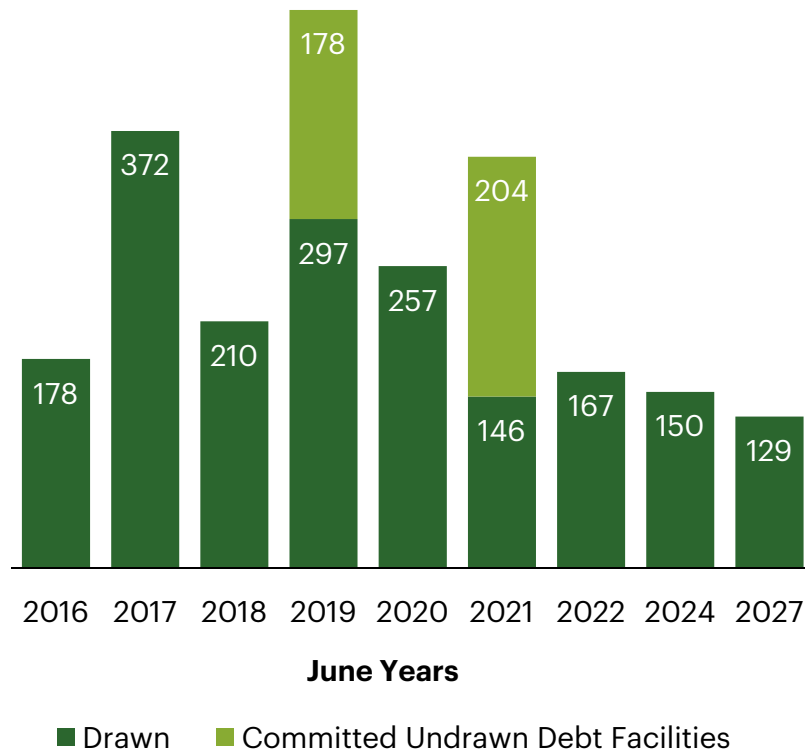


1. Earnings before interest, tax and significant items / average funds



# Debt profile

## Funding and Maturity Profile December 2015



Undrawn credit lines of \$382m and cash of \$221m

Average maturity of debt is 3.7 years

Approximately 54% of all borrowings have fixed interest rates

Average interest rate on debt is 5.3%

Mix of currency (hedged)

- NZ\$ 36%
- AU\$ 44%
- US\$ 12%
- 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 2015: 33%

## **Leverage**

- Target Net Debt to EBITDA of 2.0 to 2.5 times
- As at 31 December 2015: 2.37 times

**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)**



# Strategy Update

► **Construction**

NGAURANGA TO AOTEA UPGRADE, WELLINGTON





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# Fletcher Building strategy is built on 4 Pillars

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## People

Create a great place to work

- Safety
- Leadership, Capability and Change Agility
- High-Performance Culture



## Customers

Deliver what they value

- Digital Leadership
- Pricing & Cost-to-Serve
- Innovation and Solutions



## Efficiency

Work smarter together

- Operations Excellence
- Procurement & Property
- Shared Services



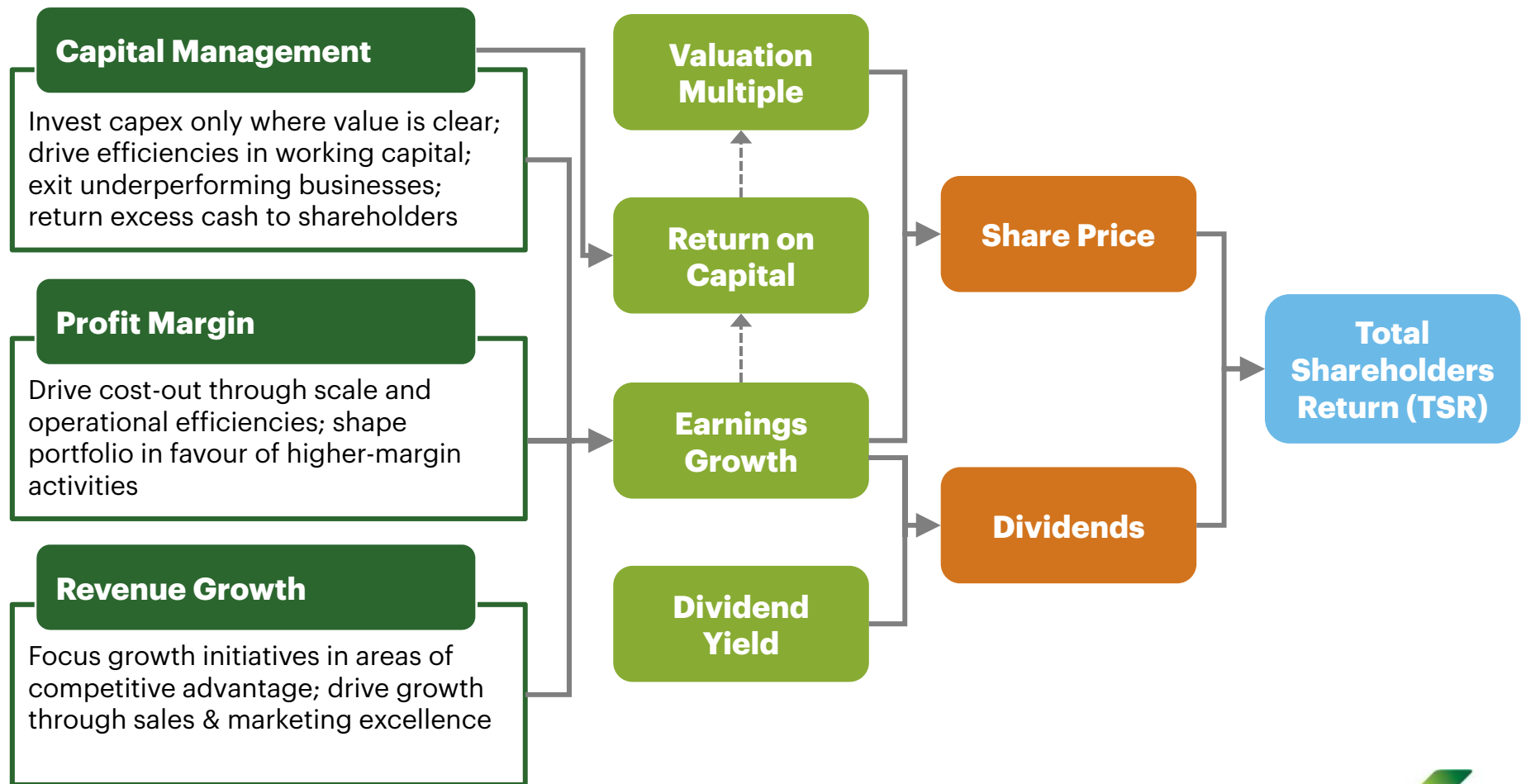
## Profitable growth

Invest where we can win

- Portfolio Simplification
- Strategic Growth Investment
- Disciplined Capital Management



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



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# Update on strategic growth agenda

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## **Portfolio clarity**

- Rocla Quarries assets divested
- Conditional purchase of Higgins
- JV of Fletcher Aluminium windows and doors business with NALCO

## **Driving efficiency**

- Appointment of Chief Transformation Officer
- Transformation office established
- Further investment in Centres of Excellence

## **Investing for growth**

- Continued investment in residential land for development
- Expansion into roading construction with Higgins acquisition
- Distribution: all distribution businesses consolidated under single leadership team; continued investment in footprint across NZ and Australia



# New divisional structure will support greater focus on business performance

<b>Building Products:</b> Matt Crockett	<b>International:</b> Francisco Irazusta	<b>Distribution:</b> Dean Fradgley	<b>Residential &amp; Land Development:</b> Steve Evans	<b>Construction:</b> Graham Darlow
<ul style="list-style-type: none"> <li>• GBCWinstone (NZ) including Higgins Aggregates</li> <li>• Firth (NZ)</li> <li>• Humes (NZ)</li> <li>• Rocla Pipelines (Aus)</li> <li>• Winstone Wallboards/Tasman Insulation (NZ)</li> <li>• Fletcher Insulation (Aus)</li> <li>• Iplex (NZ &amp; Aus)</li> <li>• Sims Pacific Metals (NZ)</li> <li>• Fletcher Aluminium (NZ)</li> </ul>	<ul style="list-style-type: none"> <li>• Formica Asia</li> <li>• Formica Europe</li> <li>• Formica North America</li> <li>• Laminex (NZ &amp; Aus)</li> <li>• Roof Tile Group (NZ; Africa; Asia; Europe; USA)</li> </ul>	<ul style="list-style-type: none"> <li>• PlaceMakers (NZ)</li> <li>• Mico (NZ)</li> <li>• Tradelink (Aus)</li> <li>• Stramit (Aus)</li> <li>• Tasman Sinkware (Aus);</li> </ul> <p><u>Steel Distribution:</u></p> <ul style="list-style-type: none"> <li>• Fletcher Easysteel (NZ)</li> <li>• Pacific Coil Coaters (NZ)</li> <li>• Dimond Roofing (NZ)</li> <li>• Fletcher Reinforcing (NZ)</li> </ul>	<ul style="list-style-type: none"> <li>• Fletcher Living (NZ)</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure (NZ)</li> <li>• Fletcher EQR (NZ)</li> <li>• South Pacific</li> <li>• Higgins Contracting (NZ &amp; Fiji)</li> <li>• Building + Interiors (NZ)</li> </ul>

**Supported by Fletcher Building Corporate Services:**

People and Communications – Kate Daly, Chief People and Communications Officer  
 Strategy and Finance – Gerry Bollman, Chief Financial Officer  
 Group Technology – John Bell, Chief Information Officer  
 Governance and Property – Charles Bolt, Company Secretary and General Counsel  
 Procurement, Marketing, Operational Excellence and Transformation - Lee Finney, Chief Transformation Officer



# Group Transformation Office established to concentrate growth & efficiency functions

## Chief Transformation Officer

### Centres of Excellence

**Manufacturing**  
**Supply Chain**  
**Sales & Marketing**  
**Health & Safety**

### Growth Initiatives

#### Commercial:

- Price dispersion and leakage
- Mix
- Volume
- Cost-to-serve

#### Product & Service Innovation (including Digital solutions)

### Cost Reduction Initiatives

#### Working Capital:

Accounts payable – standardise payment terms

Accounts receivable – standardise collection processes

Inventory reduction

#### Procurement:

Extending scale and scope of existing function

Pricing and specifications

#### Overheads:

Central function productivity

Cost per FTE



# Outlook

► Construction  
HIGGINS



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# Outlook FY16

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## **New Zealand**

- Residential construction activity expected to continue at above average levels
- Net migration and Auckland housing demand key drivers
- Commercial construction activity is tracking the upward trend in consents
- Government infrastructure spending expected to remain at or above current levels

## **Australia**

- Residential activity likely to remain buoyant for FY16, with multi-dwelling and apartments continuing to drive the market
- Government funded public infrastructure pipeline is significant, but subject to government fiscal position



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## Outlook FY16

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### **North America**

- Activity levels in residential and commercial should remain broadly consistent with prior year

### **Europe**

- Continued mixed conditions expected with a weak economic outlook

### **Asia**

- Further growth in South-East Asia, China to likely remain highly competitive





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## Financial Outlook FY16

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### **Guidance given at Annual Shareholder's Meeting reaffirmed:**

- Earnings before interest, tax and significant items expected to be in the range of \$650 million to \$690 million
- Excludes expected post-tax gain of \$85 million from sale of Rocla Quarries assets



A photograph of the Fletcher Building at night, featuring a prominent glass facade with a green-tinted section. The building is illuminated from within, and the sky is a deep blue. A green semi-transparent overlay covers the left side of the image, containing the title and executive information.

# Fletcher Building

## Half Year Results to 31 December 2015

**MARK ADAMSON**  
Chief Executive Officer

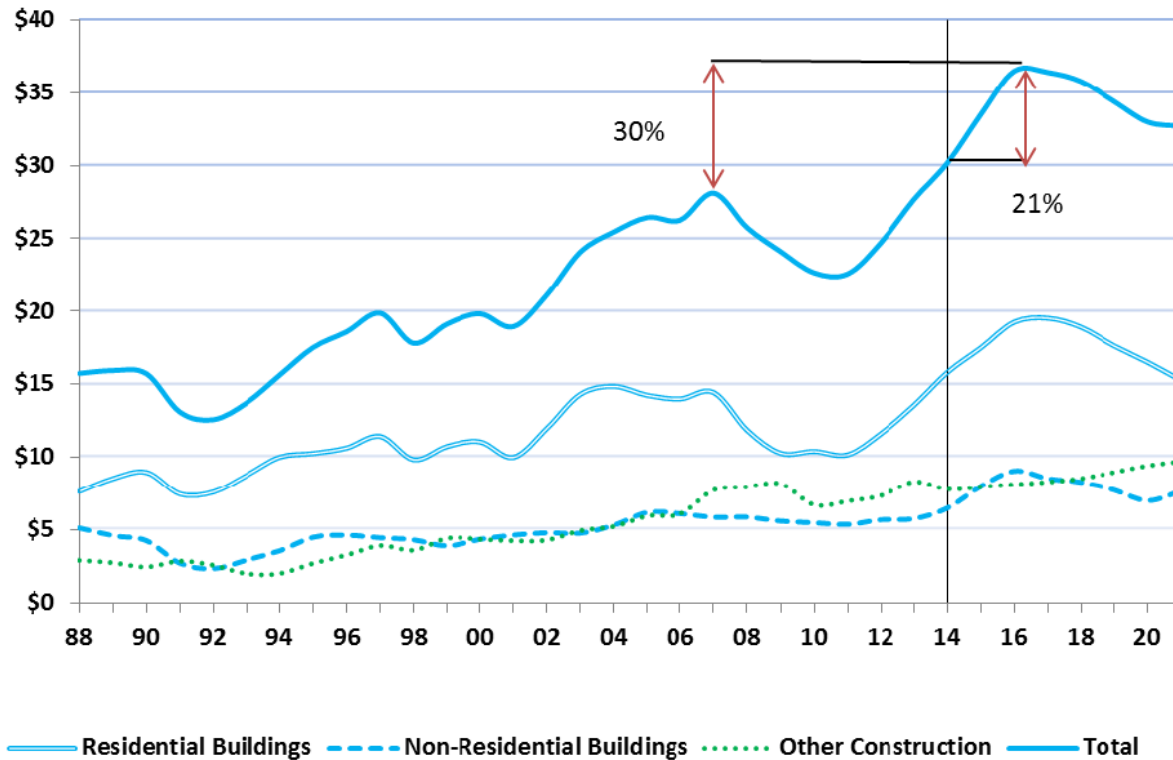
**GERRY BOLLMAN**  
Chief Financial Officer

17 February 2016



# Appendix: New Zealand construction activity expected to continue at record levels

**Value of all construction (historic and forecast)**  
**NZ\$bn**



Source: Statistics NZ/BRANZ/Pacifecon

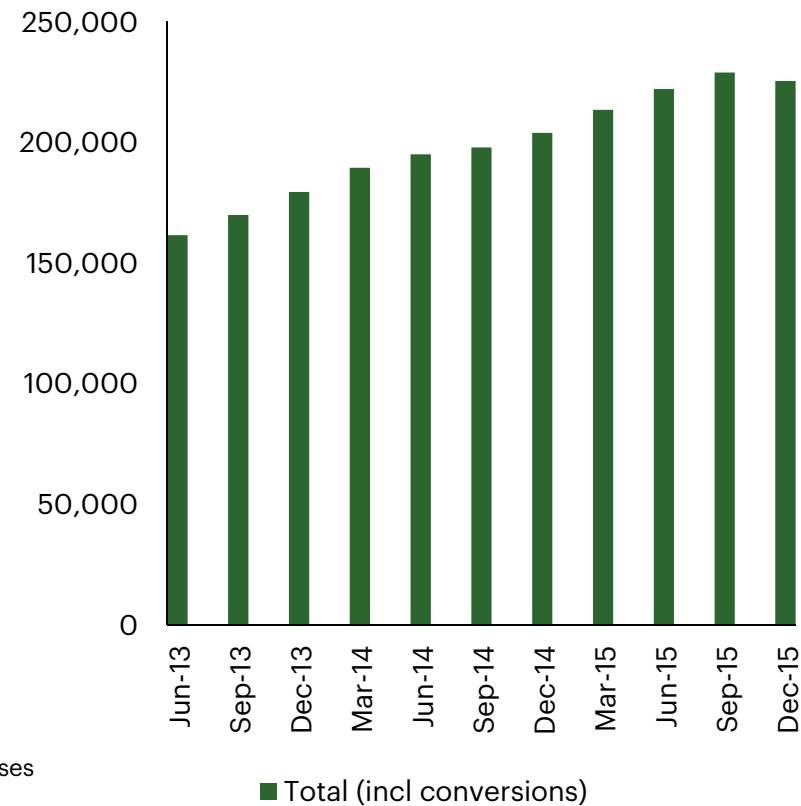


# Appendix: Australian consents by state

**Change in housing approvals – by state**  
12 months ended 31 Dec 2015 vs 2014



**Consents**



Source: HIS Global Insight



## Appendix: Sectoral exposure

### Exposures based on revenues

Geographical Exposure by Sector <sup>1</sup>	Residential (New/A&A)*	Commercial	Infrastructure	Other
New Zealand	44%	29%	14%	13%
Australia	51%	28%	9%	12%
Rest of World	44%	49%	0%	7%
<b>Total Manufacturing</b>	47%	33%	9%	11%
New Zealand	80%	18%	0%	2%
Australia	59%	41%	0%	0%
<b>Total Distribution</b>	72%	26%	0%	2%
New Zealand	15%	50%	35%	0%
Rest of World	0%	50%	50%	0%
<b>Total Construction</b>	14%	50%	36%	0%

1. Excludes business sold or closed during the year

\* A&A - Additions and Alterations



## Appendix: Building consent data

NZ\$m		Dec 2013 12 months	Dec 2014 12 months	Dec 2015 12 months	15/14 % Mvmt
<b>New Zealand</b>					
Residential Consents		21,290	24,717	<b>27,132</b>	+10
Non Res WPIP (\$m)		4,890	5,811	<b>6,505</b>	+12
Infrastructure WPIP (\$m)		7,494	7,182	<b>7,087</b>	-1
<b>Australia</b>					
<i>Source: Infometrics/Statistics NZ</i>					
Residential Consents	- Standalone houses	99,924	114,690	<b>116,549</b>	+2
	- Other dwelling types	79,355	89,090	<b>108,737</b>	+22
	- Total	<b>179,279</b>	<b>203,780</b>	<b>225,286</b>	<b>+11</b>
Non Res WPIP (A\$bn)		34.7	35.8	<b>36.5</b>	+2
Infrastructure WPIP (A\$bn)		127.9	116.4	<b>100.6</b>	-14
<b>US (Billions of 2010 US\$) Calendar Years</b>					
<i>Source: ABS</i>					
Residential Consents (US\$bn)		311	315	<b>326</b>	+3
Non Res WPIP (US\$bn)		323	328	<b>358</b>	+9
Infrastructure WPIP (US\$bn)		200	209	<b>209</b>	-

*Source: HIS Global Insight*



## Appendix: Formica earnings impacted by challenges in Europe

EBIT (NZ\$m)	Dec 2014 6 months	Dec 2015 6 months	% change
North America	20	<b>21</b>	+5
Asia	11	<b>12</b>	+9
Europe	(2)	<b>(17)</b>	NM
Formica EBIT pre-corporate costs	29	<b>16</b>	-45
Formica corporate costs	(9)	<b>(10)</b>	+11
Total EBIT	20	<b>6</b>	-70

