

Fletcher Building

Half Year Results Presentation 2017

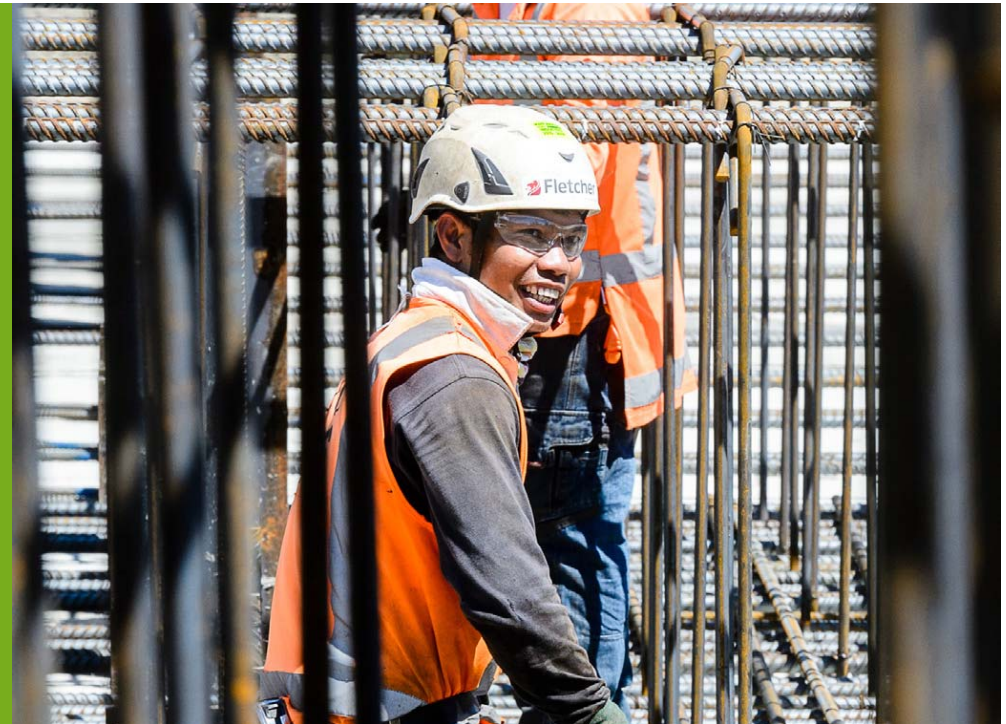
Half Year Results to 31 December 2016

Working with you

MARK ADAMSON
— Chief Executive Officer

BEVAN MCKENZIE
— Chief Financial Officer

22 February 2017



Disclaimer

This Half Year Results presentation dated 22 February 2017 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.



Contents

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- **Industry Context**
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Results Overview



Results overview

Operating earnings before significant items

\$310_m

▲ 12%

Net earnings before significant items

\$187_m

▲ 18%

Revenue

\$4,613_m

▲ 4%

Dividend per share

20c

▲ 5%

Basic earnings per share before significant items

27.0c

▲ 17%



Highlights

Distribution:

- Total EBIT +31%
- NZ Steel Distribution EBIT +47%
- NZ Building Supplies EBIT +21%
- AU Steel Distribution EBIT +25%
- Strong NZ performance, AU improvements



International:

- Total EBIT +32%
- Formica EBIT +113%
- Laminex EBIT +10%
- Laminex performing well in both NZ and Australia
- All Formica regions seeing positive momentum – growth in local currencies was higher than reported NZD growth



Highlights

New Zealand:

- Total EBIT¹ (excluding Construction, divestments/ acquisitions) +20%
- Volume improvements: Steel +14%, Plasterboard +9%, Concrete Pipe +12%, Cement +5%, Ready Mix +4%
- Residential and Land Development EBIT +25%
- Construction result impacted by one-off factors
- Corporate costs beginning to decline



Good progress on business turnarounds & Higgins integration:

- Formica Europe EBIT +\$14m
- Higgins EBIT \$21m in first 5 months, ahead of plan
- Iplex AU and Tradelink both ahead of HY 16



1. Before significant items



Results overview

Revenue

Revenue

\$4,613m

▲ 4%



- Reported revenue \$179m or 4% higher than HY16

REVENUE GROWTH RATES

Geographic segments

New Zealand

Reported

14%

Local Currency

14%

Australia

(10)%

(6)%

Rest of World

0%

8%



Results overview

Operating earnings

Operating earnings

\$294m

▲ 2%

Operating earnings before significant items

\$310m

▲ 12%

- Reported operating earnings (EBIT) up 2%
- Operating earnings before significant items up 12%
 - Significant items primarily due to site closure costs at Fletcher Insulation and Rocla Products

EBIT (before significant items)

GROWTH RATES

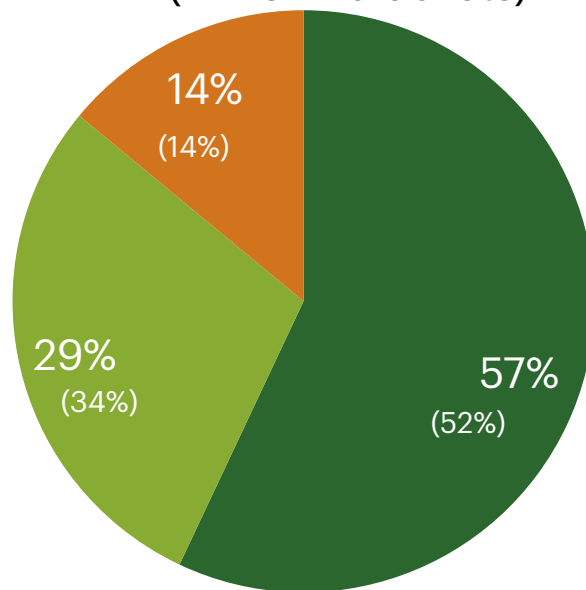
Geographic segments

	Reported	Local Currency
New Zealand	3%	3%
Australia	(4)%	2%
Rest of World	121%	138%

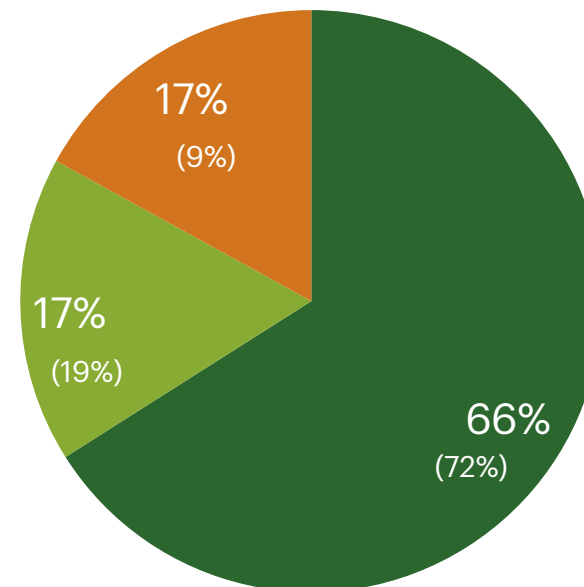


Stronger performance from Rest of World reflected in increased EBIT contribution

External Revenue Geographic Split H1 17
(H1 16 in brackets)



EBIT¹ Geographic Split H1 17
(H1 16 in brackets)



■ New Zealand ■ Australia ■ Rest of World

1. Before significant items



Results overview

Net earnings

Net earnings

\$176m

▲ 2%

Net earnings before
significant items

\$187m

▲ 18%

- Net earnings before significant items were up 18% to \$187m
- Funding costs down 13%
- Effective tax rate 25%, slightly higher

EARNINGS PER SHARE

Earnings per share	25.4 cents	+2%
Earnings per share <i>(before significant items)</i>	27.0 cents	+17%



Results overview

Cash flow from operations

Cashflow from operations

\$(67)m



- Cash outflow from operations of \$67m compared to \$170m inflow in HY16
- Decrease mainly due to:
 - \$56m Pacific Steel working capital release in HY16
 - \$79m increased investment in land and development
 - Timing of Construction contract payments
- Cashflow from operations before working capital movements were \$246m (versus \$208m in HY 16)



Results overview

Dividend

Dividend per share

20_c

▲ 5%



- Interim dividend fully imputed for NZ taxation purposes
- Dividend Reinvestment Plan will be operative for this dividend
- Expect to fully impute interim and final dividends in FY17, FY18 and FY19

DIVIDEND

Interim dividend per share	20 cents
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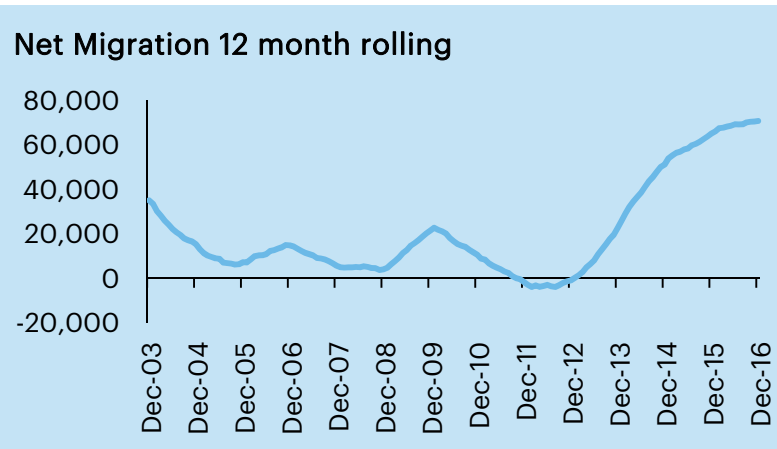
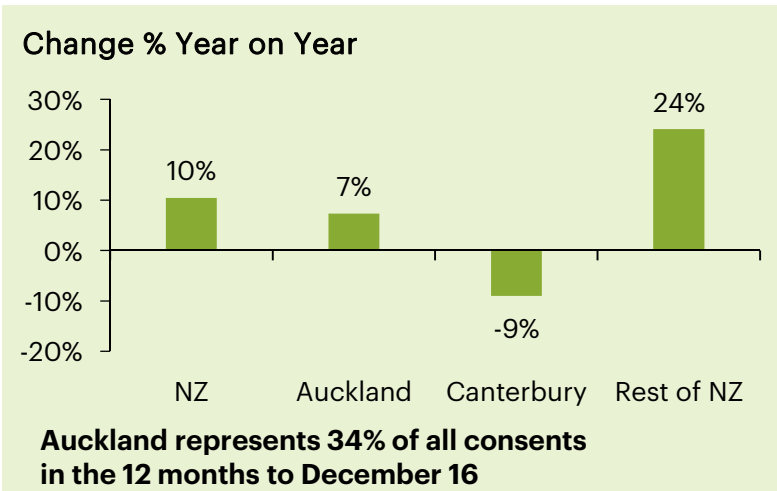
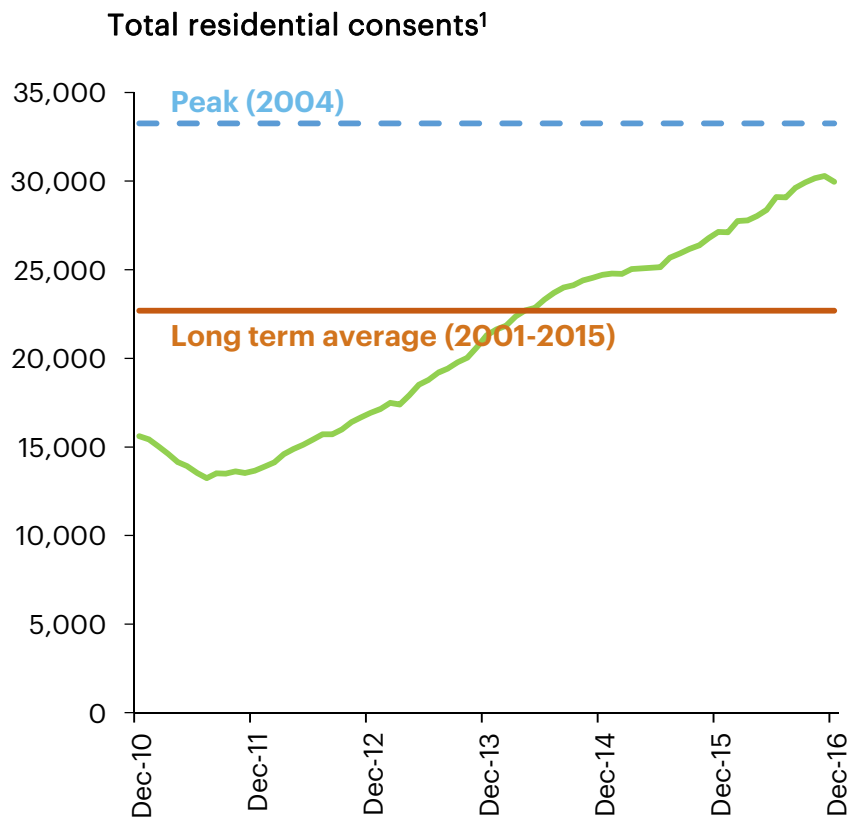


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Industry Context



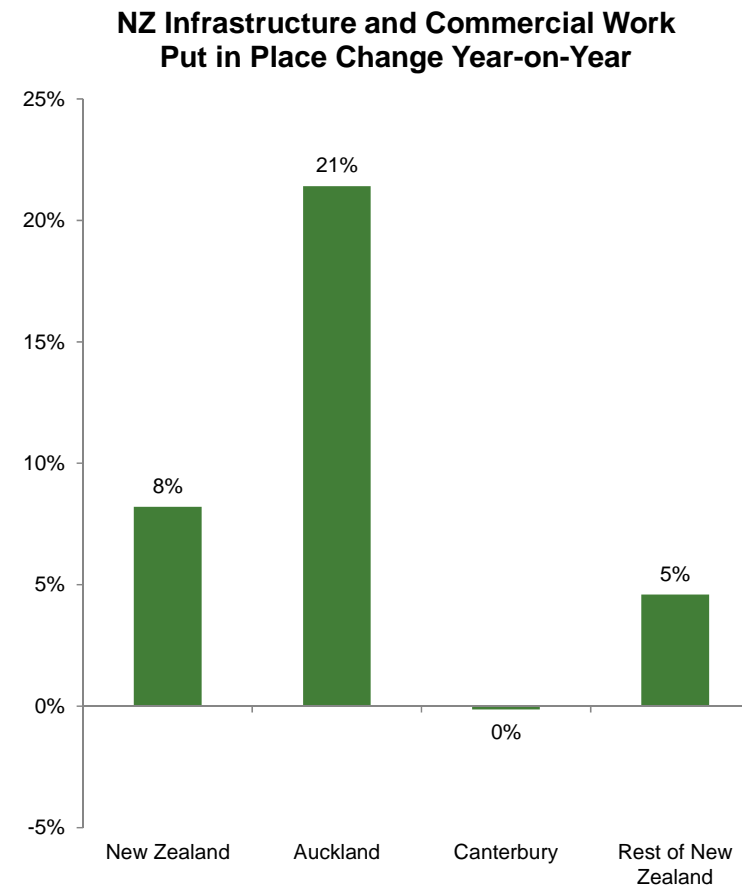
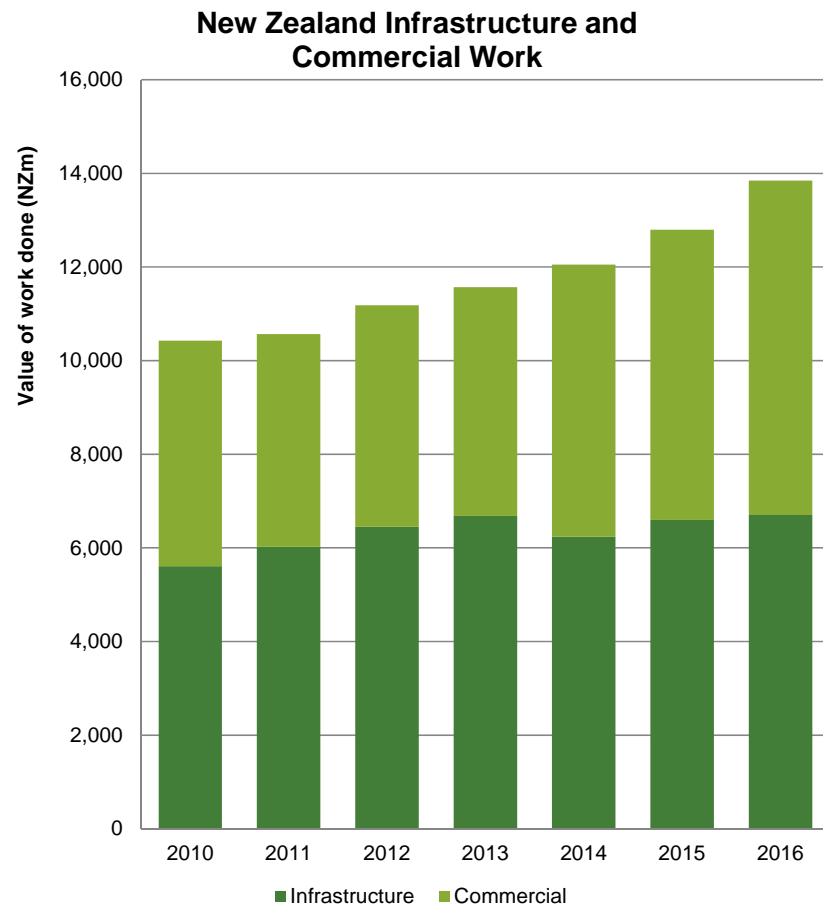
New Zealand residential consents up 10%, supported by high net migration



Source: Statistics NZ, Infometrics
1 - Twelve months rolling



New Zealand Infrastructure and Commercial backlog strong

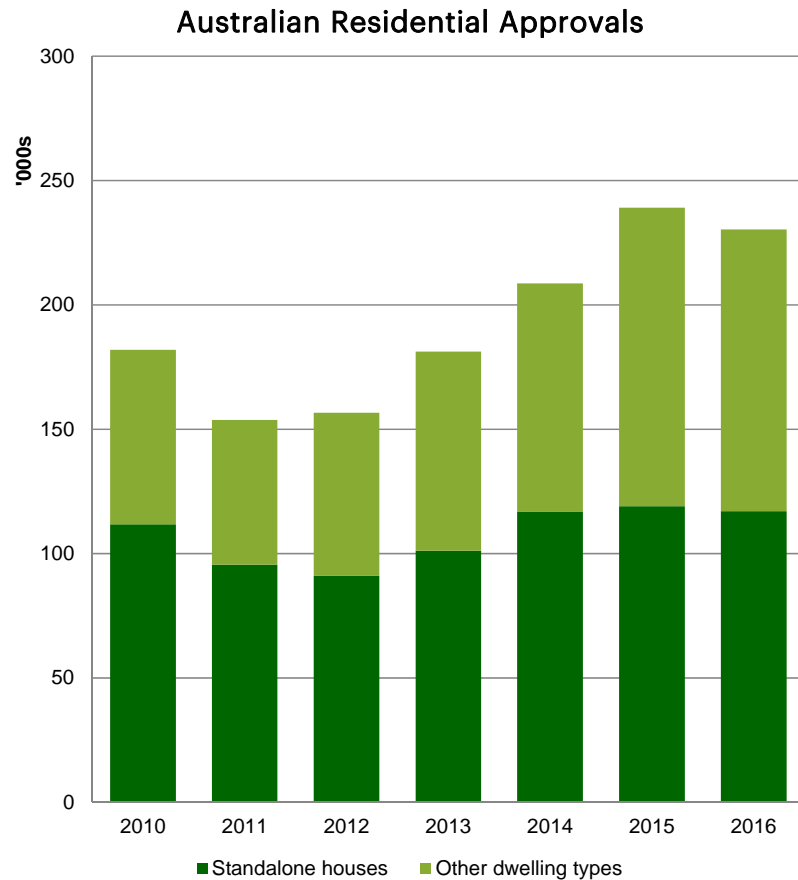


Source: NZ Statistics, Infometrics - Calendar years

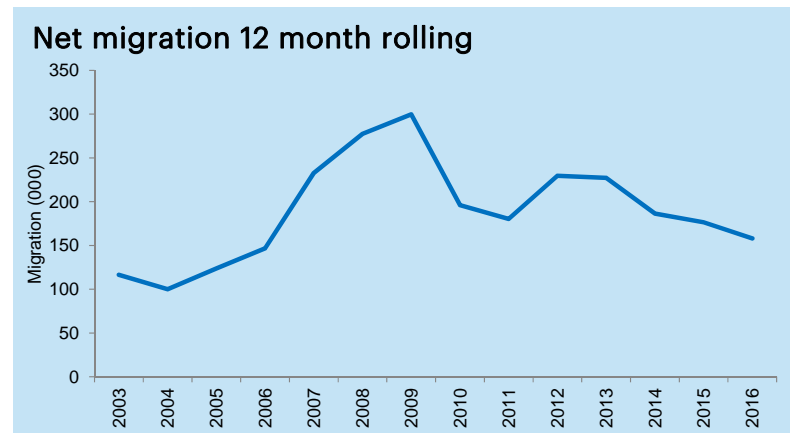
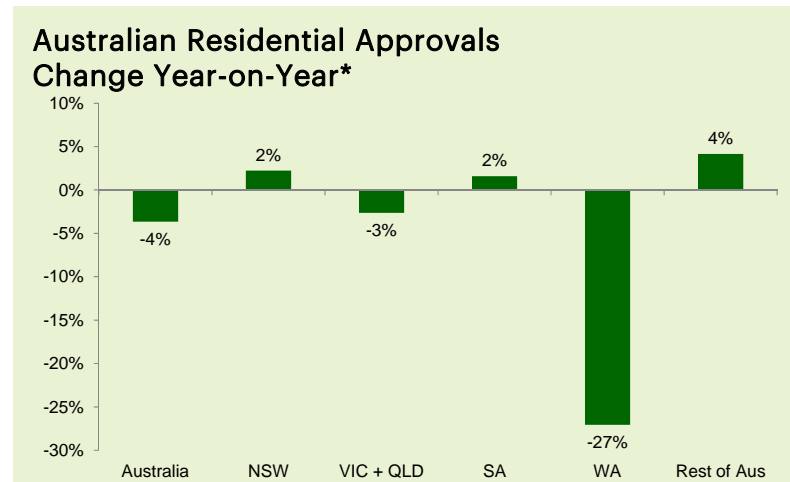
Source: NZ Statistics, Infometrics - CY2016 growth on CY2015



Australian residential activity impacted by WA, standalone approvals remain resilient



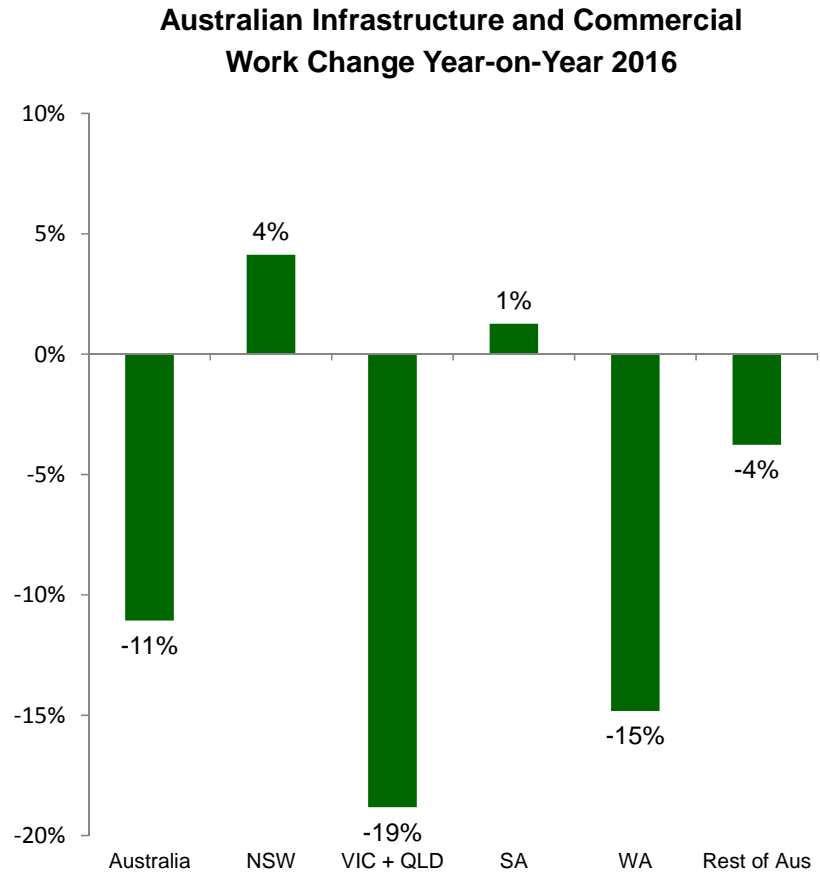
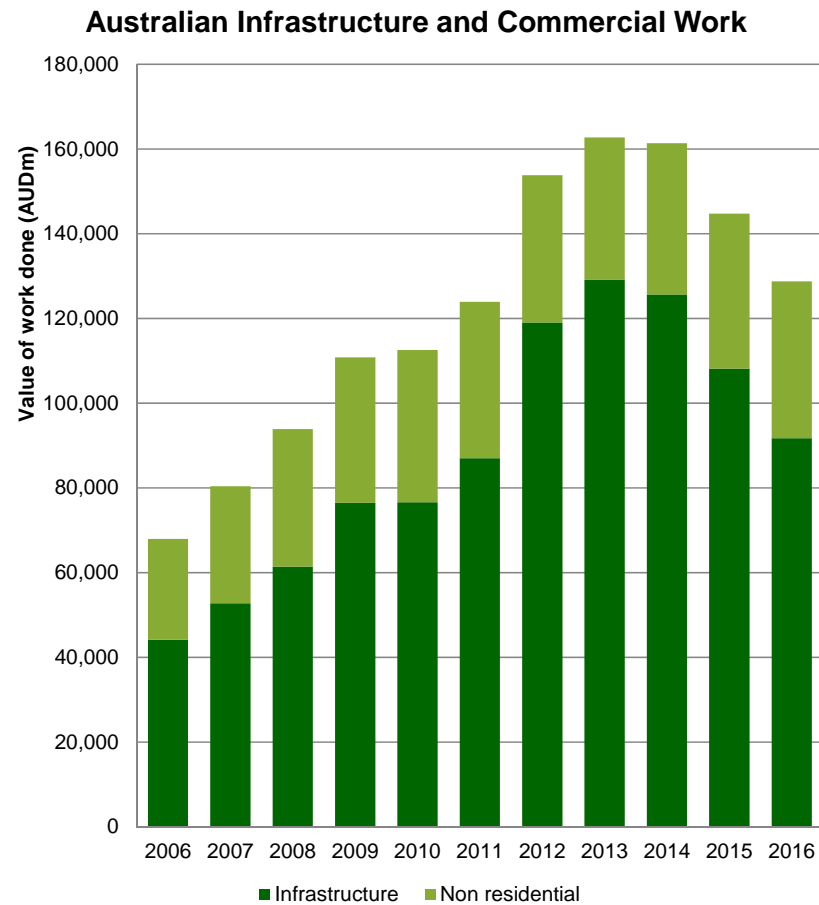
Source: BIS - Calendar years



Source: BIS - Change from CY15 to CY16



Australian Infrastructure and Commercial work has slowed in most states



Source: BIS Shrapnel



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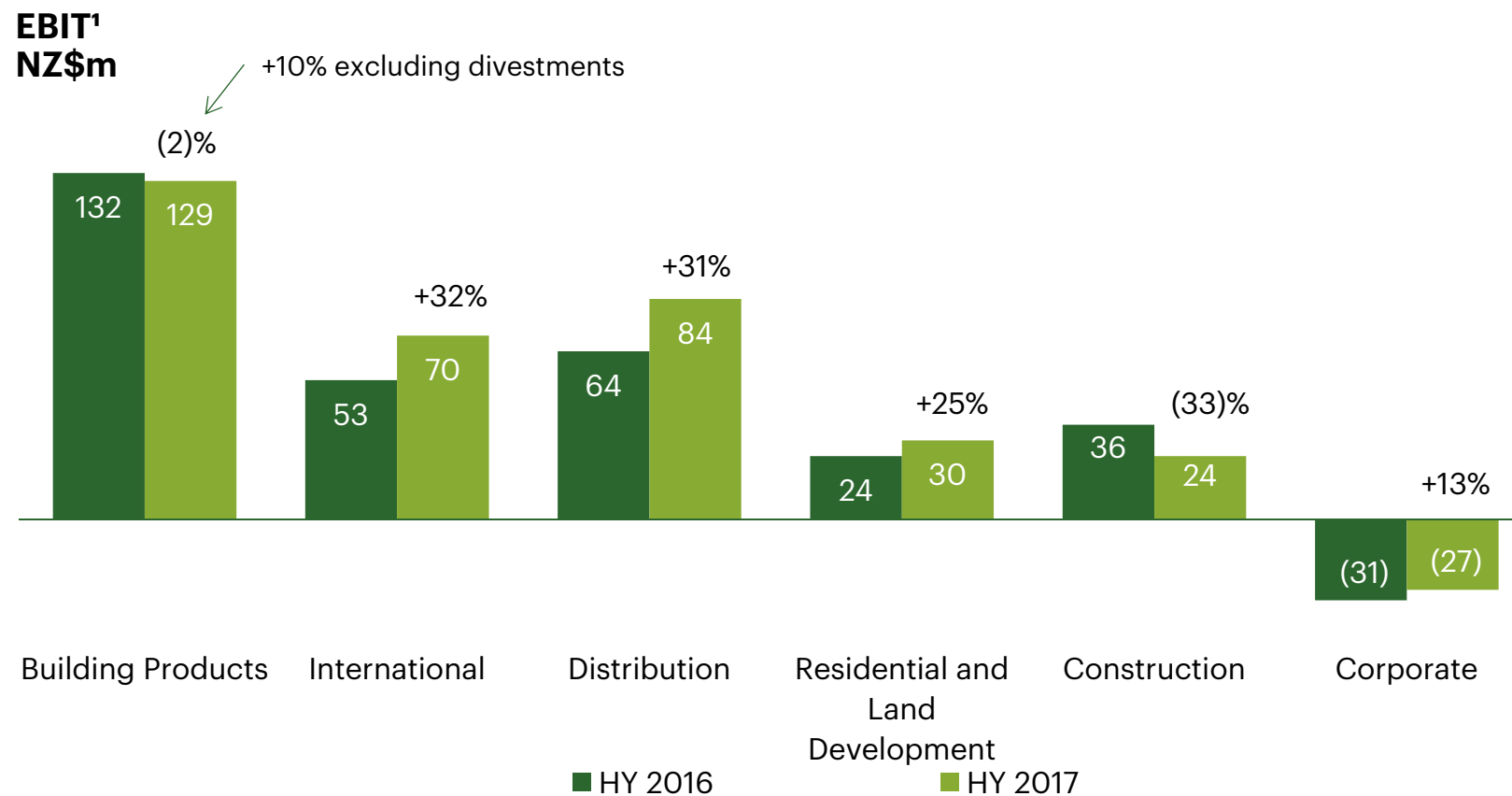


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Divisional Performances



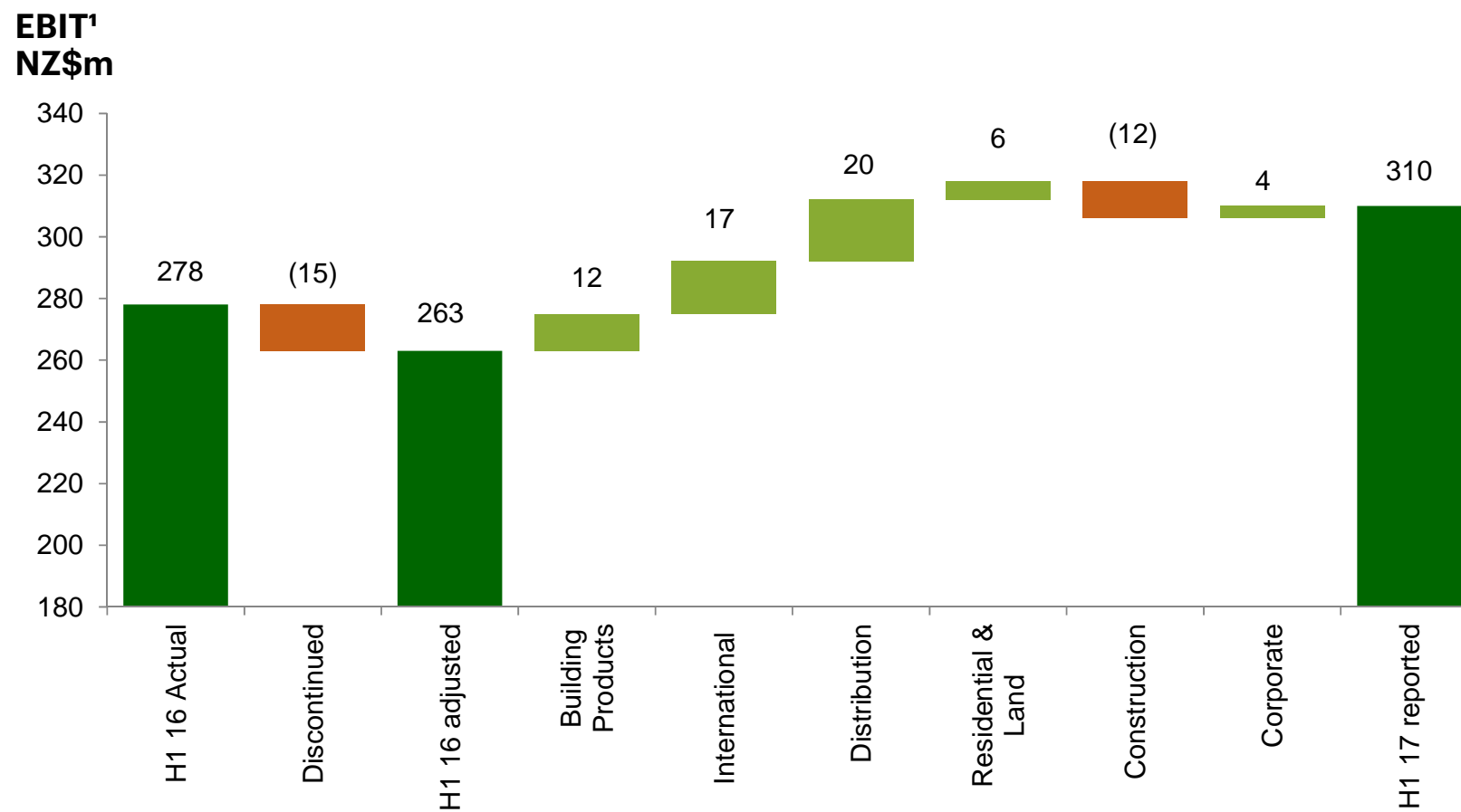
Divisional operating earnings overview



1. Before significant items



H1 2017 vs H1 2016 EBIT Bridge



1. Before significant items



Building Products Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	1,265	1,108	(12)%
External Revenue	1,021	859	(16)%
EBITDA ¹	172	167	(3)%
EBIT ¹	132	129	(2)%
<i>Concrete Pipes & Products</i>	27	26	(4)%
<i>Cement & Aggregates</i>	35	38	9%
<i>Building Materials</i>	48	53	10%
<i>Plastic Pipes</i>	2	7	NM
<i>Joint Ventures & Other</i>	5	5	0%
<i>Divested businesses</i>	15	0	NM
Funds Employed	1,748	1,686	(4)%
EBITDA ¹ /gross revenue %	14	15	
EBIT ¹ /gross revenue %	10	12	
ROFE %	15	15	

1. Before significant items

Concrete Pipes & Products

Ready-mix concrete volumes +4%

NZ concrete pipe volumes +12%

Australia concrete product volumes flat

Cement & Aggregates

New Zealand cement volumes +5%

New Zealand Aggregate volumes +24%

Building Materials

Plasterboard volumes +9%

Plastic Pipes

Iplex Australia volumes +2%

EBIT +\$5m



International Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	1,080	1,005	(7)%
External Revenue	1,067	997	(7)%
EBITDA	87	104	20%
EBIT	53	70	32%
<i>Formica</i>	16	34	108%
<i>Laminex</i>	41	45	10%
<i>Roof Tile Group</i>	6	2	(67)%
Funds Employed	2,041	1,948	(5)%
EBITDA/gross revenue %	8	10	
EBIT/gross revenue %	5	7	
ROFE %	5	7	

1. Local currency

Formica

3% volume growth in both North America & Asia

Asia revenue¹ growth of +7%, operating earnings¹ +4%

Europe: operating earnings up \$14m

Laminex

Revenue growth in New Zealand +9%

Underlying EBIT growth:

- New Zealand +75%
- Australia +3%

Roof Tile Group

Revenue down 7% and EBIT down \$4m due mainly to sales decline in Africa



Distribution Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	1,610	1,644	2%
External Revenue	1,531	1,559	2%
EBITDA	79	96	22%
EBIT	64	84	31%
<i>NZ Building Supplies</i>	39	47	21%
<i>NZ Steel Distribution</i>	17	25	47%
<i>AU Building Supplies</i>	0	2	NM
<i>AU Steel Distribution</i>	8	10	25%
Funds Employed	1,049	1,039	(1)%
EBITDA/gross revenue %	5	6	
EBIT/gross revenue %	4	5	
ROFE %	12	16	

New Zealand Building Supplies

Operating earnings +21%
PlaceMakers revenue growth +7%
Mico revenue growth +7%

New Zealand Steel Distribution

Operating earnings +47%
Significant volume growth at Pacific
Coilcoaters, Easysteel and Reinforcing

Australia Building Supplies

Revenue flat in AUD due to weakness in
Western and South Australia
Tradelink continues to focus on its core
trade plumber customers
16 new Tradelink stores opened in HY17

Australia Steel Distribution

Operating earnings +25%
New customer service proposition
launched



Residential and Land Development Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	108	163	51%
External Revenue	108	163	51%
EBITDA	24	30	25%
EBIT	24	30	25%
<i>NZ Residential</i>	24	25	4%
<i>Land Development</i>	0	5	NM
Funds Employed	295	477	62%
EBITDA/gross revenue %	22	18	
EBIT/gross revenue %	22	18	
ROFE %	16	13	

NZ Residential

Continued new developments coming online

Solid sales in Beachlands, Karaka and Hobsonville

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

Current pipeline of over 4,000 lots

Land Development

Expect to earn \$25m+ per annum over the next 5 years from land developed for resale



Construction Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	748	1,150	54%
External Revenue	707	1,035	46%
EBITDA	40	35	(13)%
EBIT	36	24	(33)%
Construction NZ ¹	26	1	(96)%
Construction South Pacific	10	23	141%
Funds Employed	(37)	366	NM
EBITDA/gross revenue %	5	3	
EBIT ¹ /gross revenue %	5	2	

1. Includes Fletcher EQR

New Zealand

Revenue +29% (excluding Higgins)

Backlog of work as at 31 December 2016 was \$2.7bn

Operating earnings significantly impacted by:

- Timing of major projects
- Bid costs
- Reduced contribution from Fletcher EQR
- Isolated underperformance in one area of the business

Higgins ahead of plan and invited to join NCTIR consortium for rebuild of State Highway 1 post Kaikoura earthquake

South Pacific

EBIT +\$13m



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Financial Results



Profit & Loss

18% increase in net earnings before significant items

NZ\$m (except EPS)	Reported Results		Change
	Dec 2015 6months	Dec 2016 6months	
Revenue	4,434	4,613	4%
Operating earnings before significant items	278	310	12%
Operating margin	6.3%	6.6%	5%
Significant items	10	(16)	NM
Operating earnings (EBIT)	288	294	2%
Funding costs	(60)	(52)	(13)%
Tax	(52)	(61)	17%
Non-controlling interests	(4)	(5)	25%
Net earnings	172	176	2%
Net earnings before significant items	159	187	18%
Earnings per share before significant items (EPS – cents)	23.0	27.0	17%



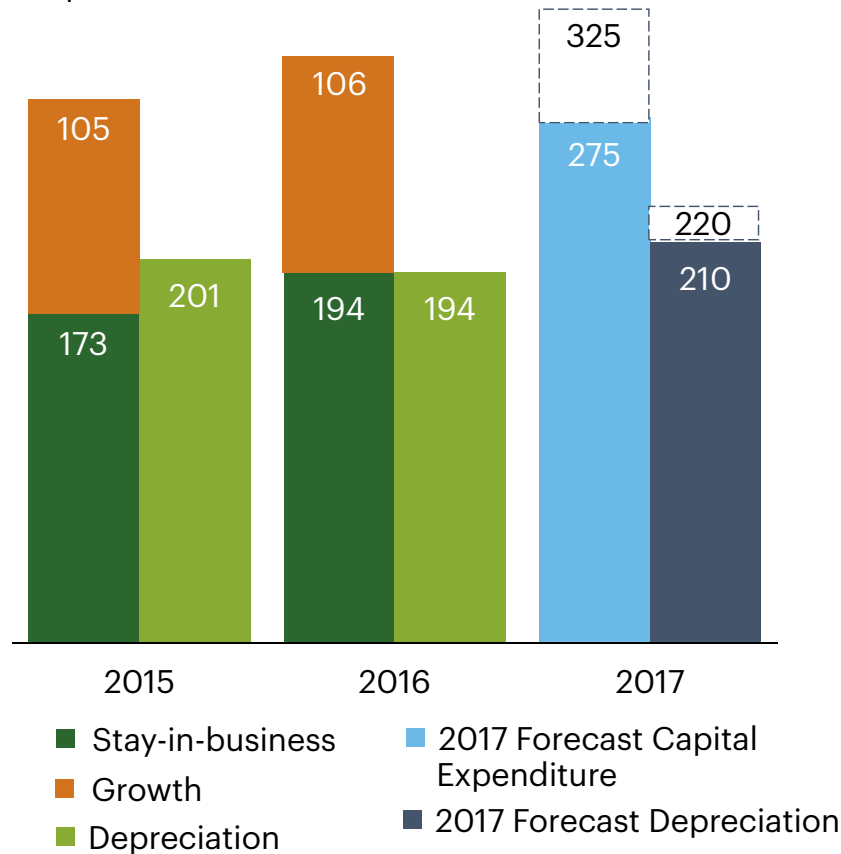
Operating cash flow

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	Change
Operating earnings before significant items	278	310	12%
Depreciation and amortisation	97	102	5%
Less cash tax paid	(67)	(69)	3%
Less interest paid	(60)	(54)	(10)%
Provisions, significant items and other	(40)	(43)	8%
Results from operations before working capital adjustments	208	246	18%
Land and developments	(85)	(164)	93%
Other working capital movements	47	(149)	NM
Cash flows from operating activities	170	(67)	NM



Capital expenditure in FY17 expected to be in the range of \$275m to \$325m

NZ\$m

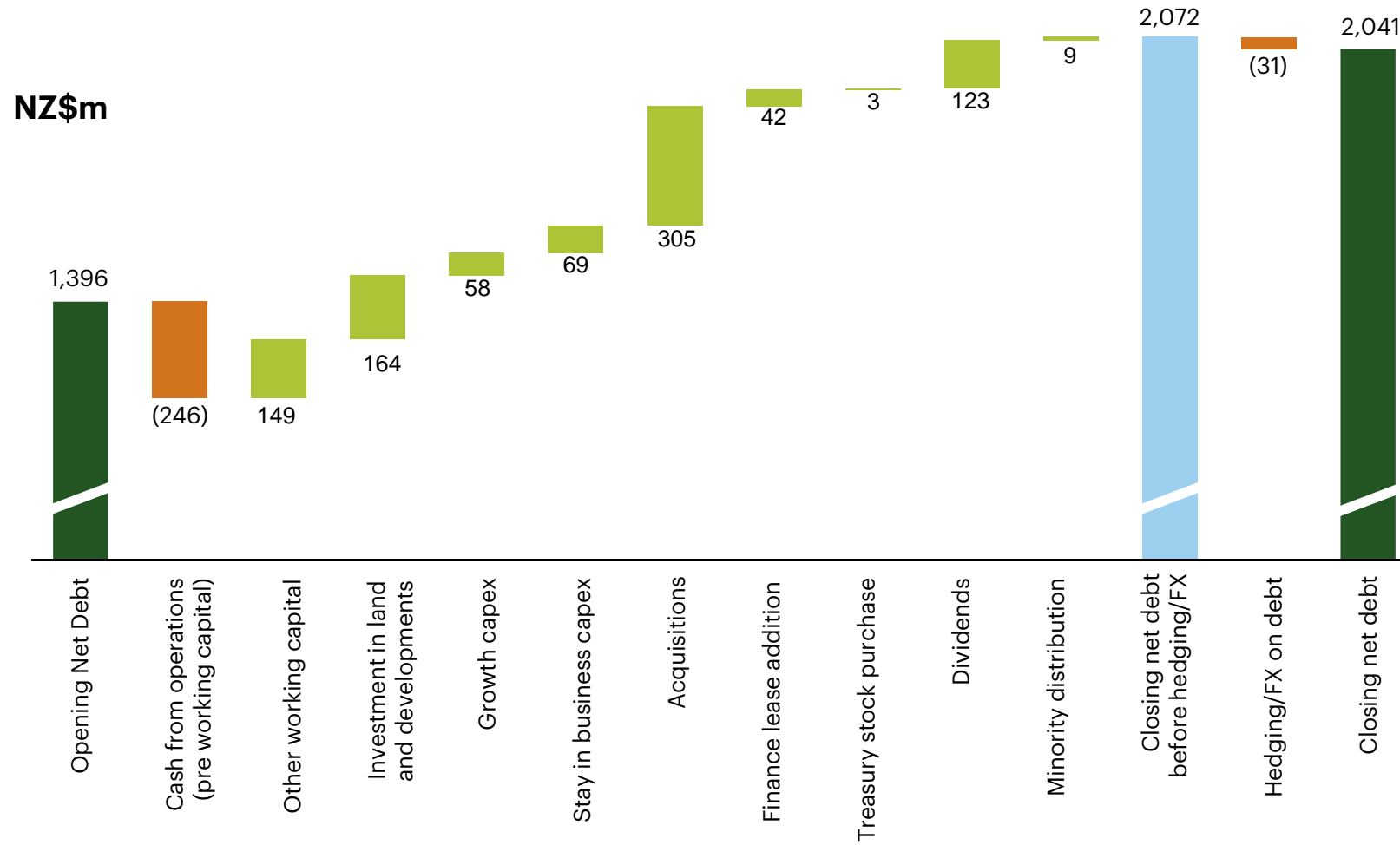


NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Stay-in-business	77	69	(10)%
Growth	45	58	29%
Total Capex	122	127	4%
Acquisitions		305	NM
Depreciation/ Amortisation	97	102	5%

- Depreciation & Amortisation forecast to be \$210-220m in FY17

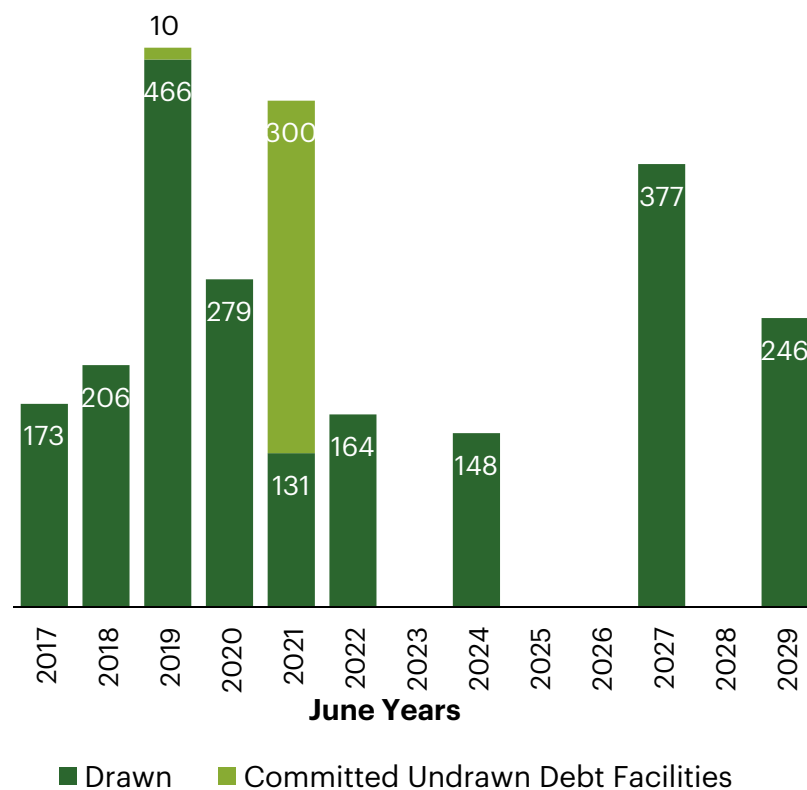


Net debt higher due to investments in working capital, land and Higgins



Debt profile

Funding and Maturity Profile 31 December 2016



Undrawn credit lines of \$310m and cash of \$229m

Average maturity of debt is 5.1 years

Approximately 47% of all borrowings have fixed interest rates

Average interest rate on debt is 5.0%

Mix of currency (hedged)

- NZ\$ 50%
- AU\$ 33%
- US\$ 11%
- Other 6%



Capital management settings

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 2016: 35.4%

Leverage:

- Target Net Debt to EBITDA of 2.0 to 2.5 times
- As at 31 December 2016: 2.5 times

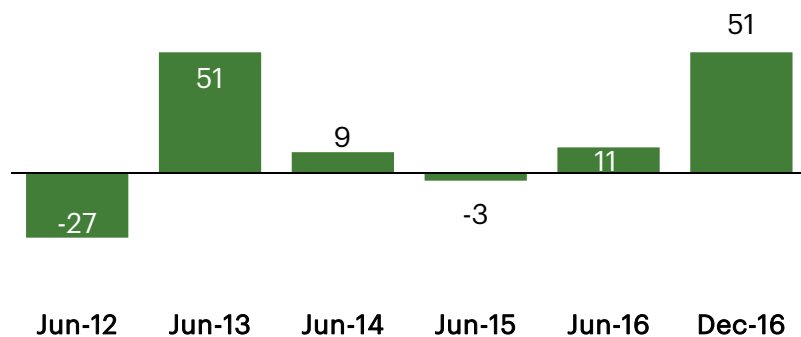
Dividend pay-out:

- Target ratio of 50% to 75% of net earnings (before significant items)
- For H1 17: 74%

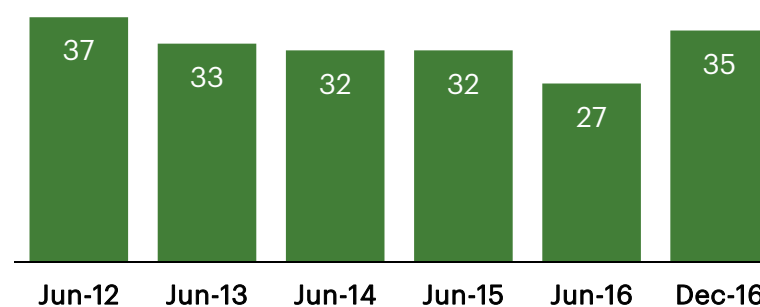


Key ratios

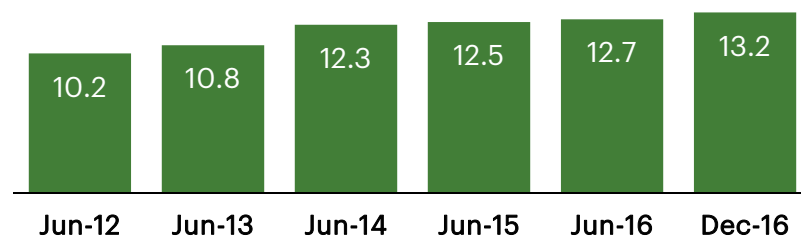
Total Shareholder Return (TSR) Percentage¹



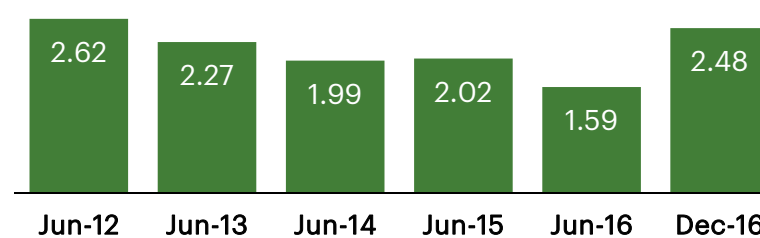
Debt/Debt Plus Equity Percentage



Return on Average Funds Percentage²



Net Debt/EBITDA Times



1. Returns for previous 12 months

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



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Strategy Update



Strategy summary



People and performance culture



Turnaround capability



Targeted investments



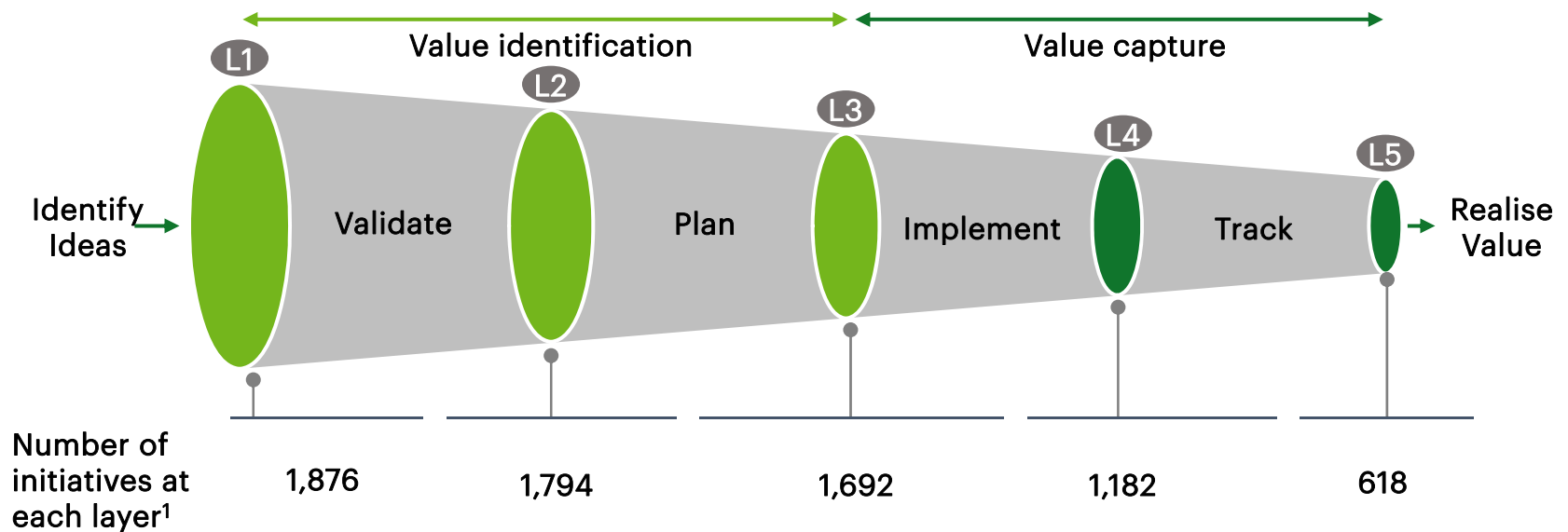
Prudent portfolio management



Focus on shareholder value



Performance culture embedded through Accelerate



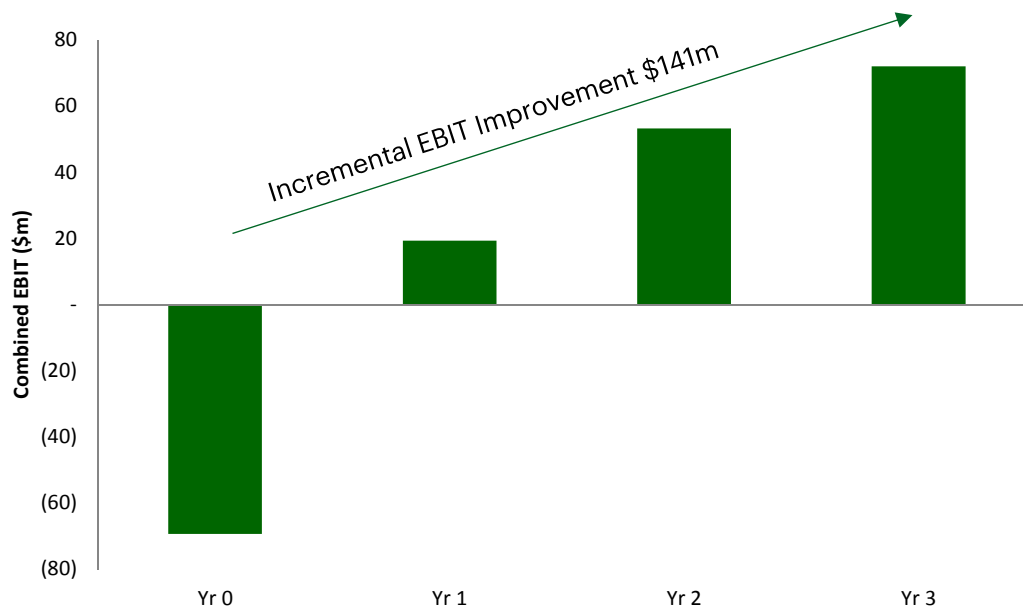
- Weekly cadence
- Balance of revenue, cost and efficiency
- Rigorous tracking of benefits and returns
- Continuous renewal of initiative pipeline
- Annualised benefits realised by end of FY18

1. Total EBIT initiatives



Turnaround capability established

Collective Turnaround of Selected FBU Businesses¹



- FB management is developing a track record of turning around underperforming businesses
- Improved performance reflects a mixture of improved pricing, product offering, customer service, operational efficiencies and cost-out delivery
- Current turnarounds in Australia and Europe being executed despite the backdrop of subdued market activity

Turnaround businesses:

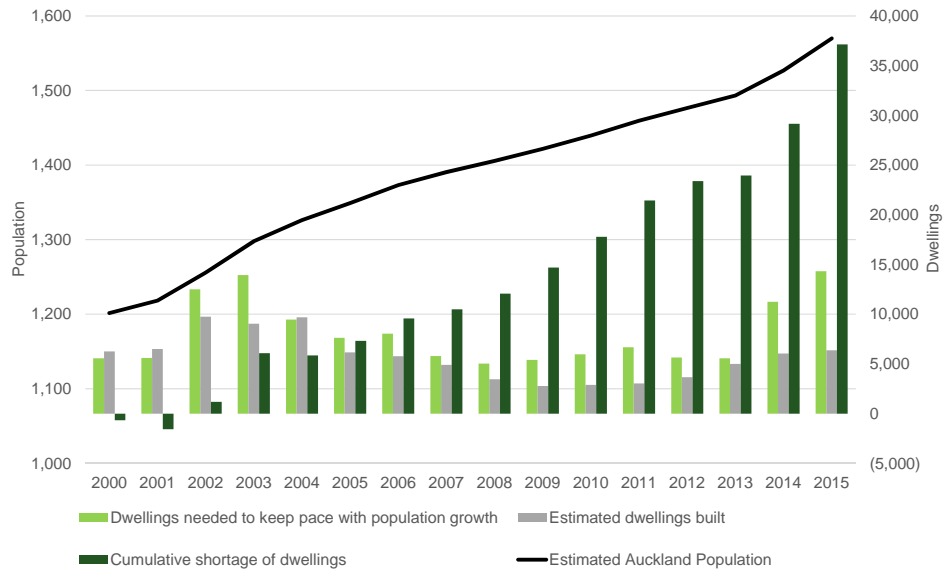
- Formica North America
- Iplex AU
- Mico
- Fletcher Insulation
- Formica Europe
- Tradelink

1. Combined EBIT of FBU businesses before significant items

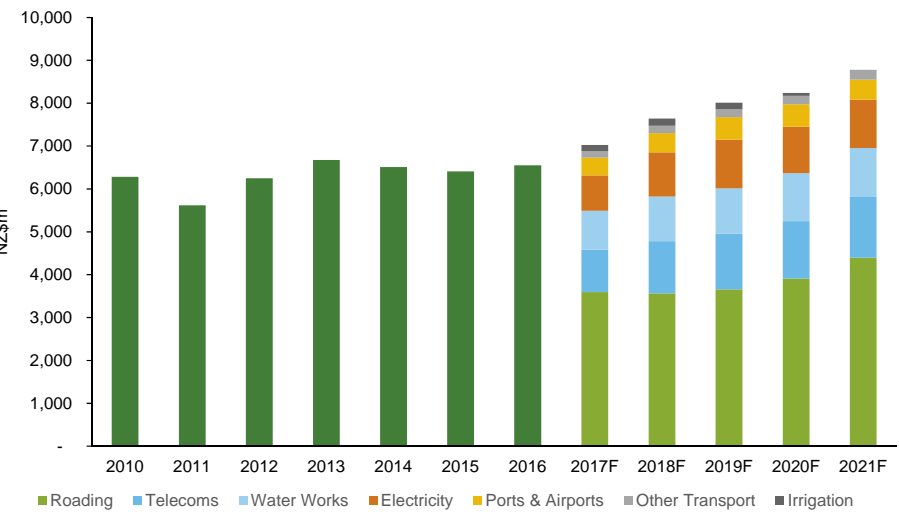


Targeted Investments

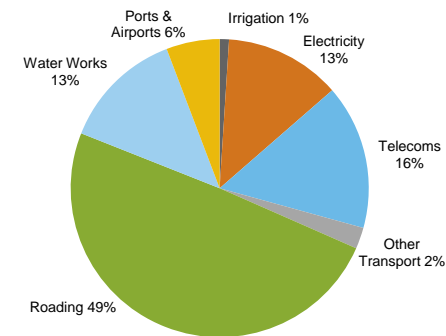
Auckland Housing Shortage



NZ Infrastructure Pipeline



NZ Infrastructure 2016-2025



- >\$700m invested in Residential and Higgins
- Additional c. \$100m per annum in fast payback capital projects
- Major investments aligned with structural drivers

Source: Inframetrics



Prudent Portfolio Management

Business Unit	Investment/ Proceeds	EBIT ¹	ROFE
Rocla Quarries	\$205m	\$18m ²	c.9%
Higgins	\$307m	\$40m - \$45m ³	c.15%
Net	\$102m	\$22m - \$27m	22% - 25%

- Divestment of Rocla Quarries and acquisition of Higgins highlights positive return on incremental capital employed

1. Before significant items

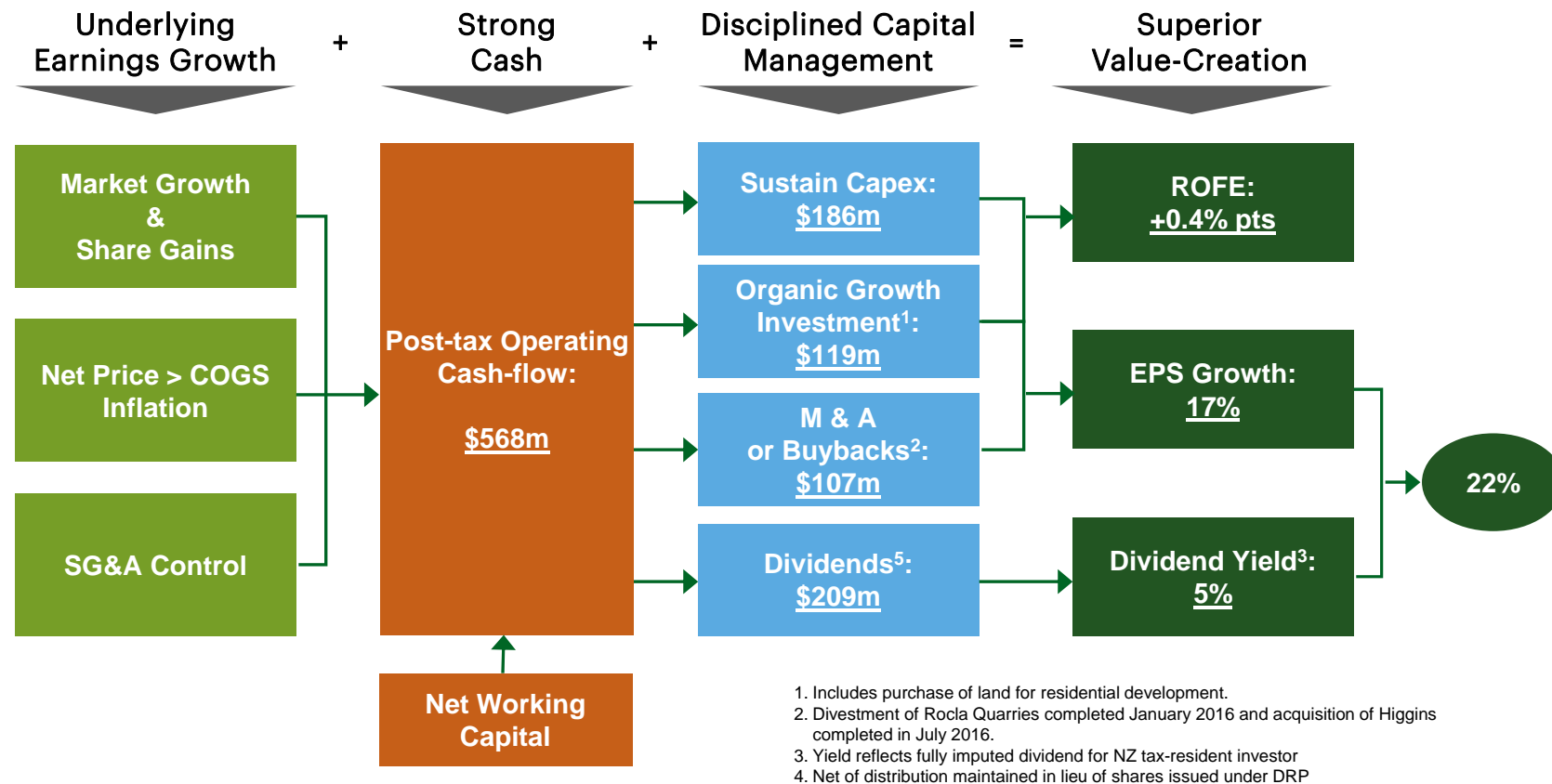
2. Last full year of earnings reported in FY15

3. Estimated annualised earnings



Focus on shareholder value

Results for last 12 month period (ie CY 2016)





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Outlook



Outlook FY17

New Zealand

- Strong macro-economic conditions expected to continue to benefit FY17 and provide opportunities to expand Building Products and Distribution operating margins
- Elevated levels of residential, commercial and infrastructure construction are likely to be sustained in the medium term

Australia

- NSW still looking positive but WA downturn has been tough to digest
- Standalone housing proved resilient to date, multi-dwellings showing signs of peaking but some segments of civil infrastructure look more positive
- Underlying earnings of Tradelink, Stramit and Tasman Sinkware to improve

Rest of World

- Asia: showing signs of improving volumes but remain competitive
- North America: impact of new presidential administration uncertain to date
- Europe: mixed outlook with growth in UK offset by weaker Continental Europe
- Further improvement to come from Formica businesses



Financial Outlook FY17

FY17 operating earnings (EBIT before significant items) expected to be in the range of \$720m to \$760m

Earnings from Higgins acquisition should offset the impact of discontinued operations:

- Pacific Steel
- Rocla Quarry Products
- Fletcher EQR

Capex forecast to be \$275-325m versus \$300m in FY16

Depreciation forecast to be \$210-220m versus \$194m in FY16





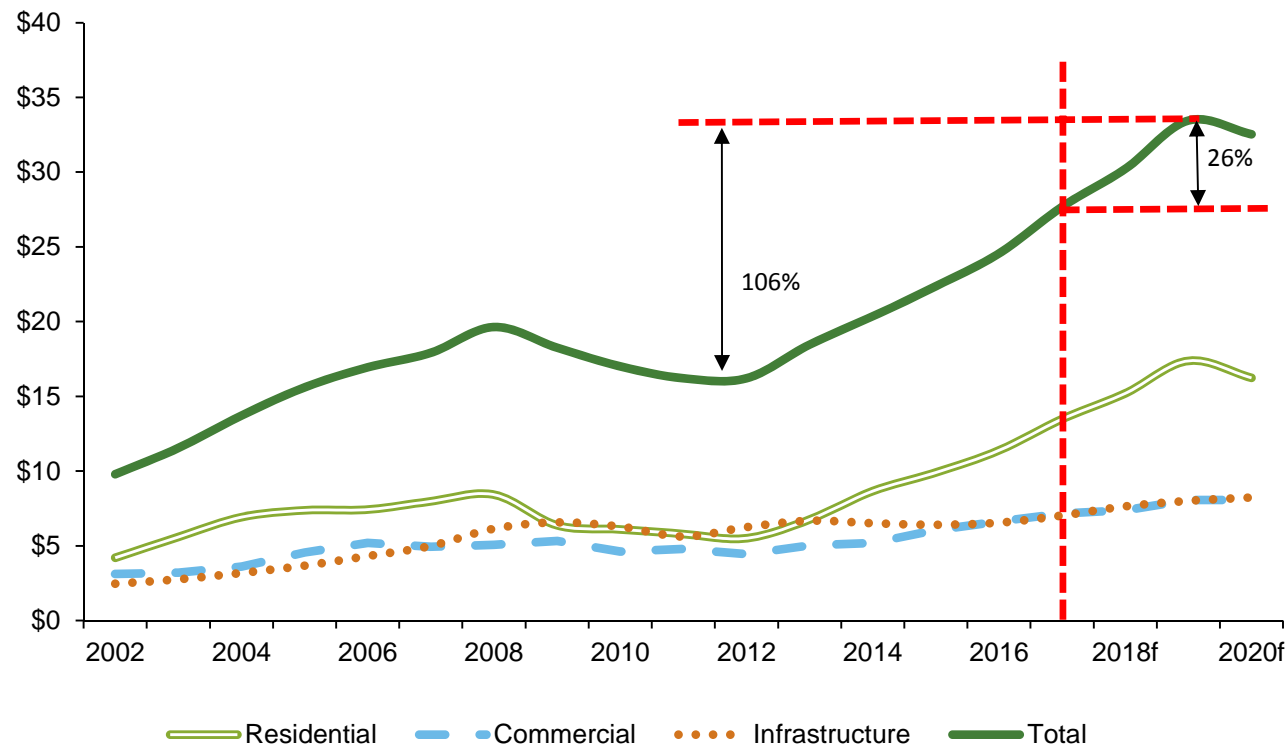
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Q&A



Appendix: New Zealand construction market has a strong pipeline

Value of all NZ Construction Work Put in Place NZ\$bn



- Forecasts suggest medium term peak for residential construction but 'stronger for longer' infrastructure construction pipeline

Source: Infometrics



Appendix: Sectoral exposure

Exposures based on revenues

Geographical Exposure by Sector ¹	Residential (New/A&A)*	Commercial	Infrastructure	Other
New Zealand	44%	29%	12%	15%
Australia	55%	22%	10%	13%
Rest of World	44%	49%	0%	7%
Total Manufacturing	49%	30%	9%	12%
New Zealand	79%	18%	0%	3%
Australia	49%	51%	0%	0%
Total Distribution	69%	29%	0%	2%
New Zealand	13%	45%	41%	1%
Rest of World	0%	37%	63%	0%
Total Construction & Residential	12%	44%	43%	1%

1. Excludes business sold or closed during the year

* A&A – Additions and Alterations



Appendix: Building consent data

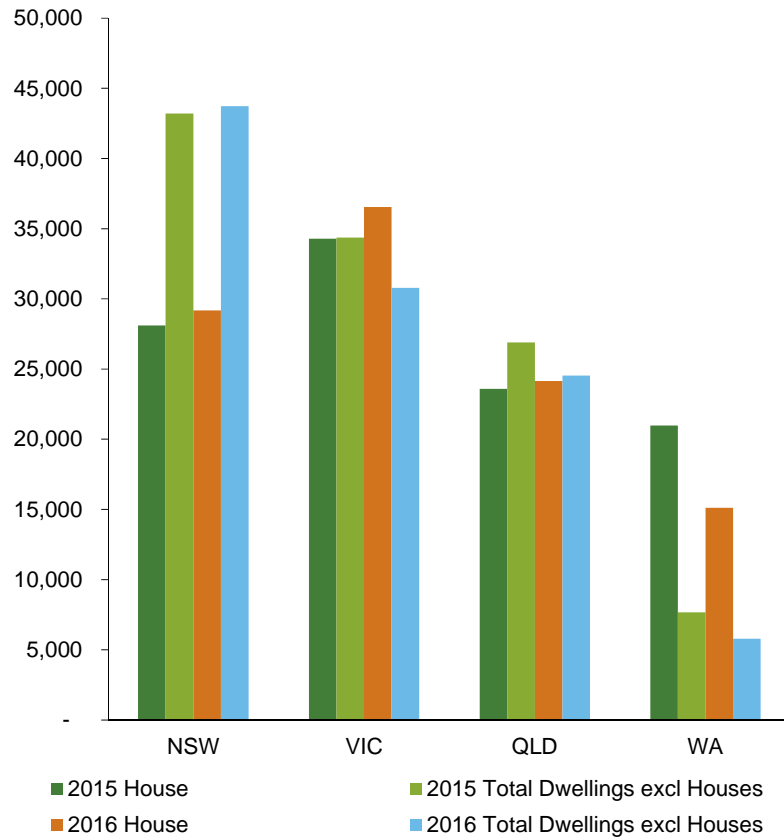
	Dec 2015 12 months	Dec 2016 12 months	16/15 % Mvmt	
New Zealand				
Residential Consents	27,129	29,967	+10%	
Non Res WPIP (\$m)	6,202	7,144	+15%	
Infrastructure WPIP (\$m)	6,594	6,703	+2%	
Australia				
			<i>Source: Infometrics</i>	
Residential Consents	- Standalone houses	118,997	117,056	(2)%
	- Multi residential and other dwelling types	120,074	113,258	(6)%
	- Total	239,071	230,314	(4)%
Non Res WPIP (A\$bn)	36.7	36.3	(1)%	
Infrastructure WPIP (A\$bn)	111.6	91.0	(18)%	
US (Billions of US\$) Calendar Years				
			<i>Source: BIS</i>	
Residential Consents (US\$bn)	525	538	+2%	
Non Res WPIP (US\$bn)	465	481	+3%	
Infrastructure WPIP (US\$bn)	311	306	(2)%	

Source: HIS Global Insight



Appendix: Strongest growth in NSW; Western Australia experience a significant decline in approvals

Change in housing approvals – by state
12 months ended 31 Dec 2016 vs 2015



	Dec 2015 12 months	Dec 2016 12 months	% Change
Stand-alone	118,997	117,056	(2)%
Multi + other Residential	120,074	113,258	(6)%
Total	239,071	230,314	(4)%



Source: HIS Global Insight



Appendix: Group Structure

Building Products: Matt Crockett	International: Francisco Irazusta	Distribution: Dean Fradgley	Residential & Land Development: Steve Evans	Construction: Graham Darlow
<ul style="list-style-type: none"> • GBCWinstone (NZ) including Higgins Aggregates • Firth (NZ) • Humes (NZ) • Rocla Pipelines (Aus) • Winstone Wallboards/Tasman Insulation (NZ) • Fletcher Insulation (Aus) • Iplex (NZ & Aus) • Sims Pacific Metals (NZ) • Altus (NZ) 	<ul style="list-style-type: none"> • Formica Asia • Formica Europe • Formica North America • Laminex (NZ & Aus) • Roof Tile Group (NZ; Africa; Asia; Europe; USA) 	<ul style="list-style-type: none"> • PlaceMakers (NZ) • Mico (NZ) • EasySteel (NZ) • Pacific Coilcoaters (NZ) • Fletcher Reinforcing (NZ) • Tradelink (Aus) • Stramit (Aus) • Tasman Sinkware (Aus) 	<ul style="list-style-type: none"> • Fletcher Living (NZ) • Land Development • Property • Innovation 	<ul style="list-style-type: none"> • Infrastructure (NZ) • Fletcher EQR (NZ) • South Pacific • Higgins Contracting (NZ & Fiji) • Building + Interiors (NZ)
<p>Supported by Fletcher Building Corporate Services:</p> <p>People and Communications – Kate Daly, Chief People and Communications Officer</p> <p>Strategy, Marketing and Finance – Bevan McKenzie, Chief Financial Officer</p> <p>Group Technology – John Bell, Chief Information Officer</p> <p>Governance – Charles Bolt, Company Secretary and General Counsel</p> <p>Procurement, Shared Services, Operations Excellence and Transformation - Lee Finney, Chief Transformation Officer</p>				

