NEWS RELEASE

Fletcher Building

Wednesday 25 November 2020

FLETCHER BUILDING LIMITED

2020 Annual Shareholders' Meeting

Chief Executive Officer's Address

FY2020 tough year well handled

Like Bruce, I feel FY20 was a tough year for the business. But one that we handled well. Importantly, we responded quickly and effectively to the COVID-19 crisis, across the shutdowns, the restrictions, and then the progressive restarts. We then got the business set up, for what were, and which continue to be uncertain times. And critically, this work set us up to continue to deliver against the strategies that we've been working on for the last two years.

Unfortunately, these necessary actions came with consequences for all stakeholders and I wanted to acknowledge these impacts on you, our shareholders, on our partners, and on our people, as we worked through these challenges.

I found it a privilege to work in the business through this period, and see everyone lean into this adversity, and get on with what was necessary with little complaint. This was a trait I saw from the shop floor right through to the Board. And I would also like to add my thanks and appreciation to everyone that helped us navigate FY20 and enter FY21 as well as we have.

Two years into strategy - Business is reset and stabilised

As I mentioned, this good work sets us up well to continue on with the plans we laid out back in mid-2018, and which are summarised on this slide. Our aspiration for Fletcher Building is to be the leader in Building Products and Solutions across New Zealand and Australia. Back in mid-2018 we set ourselves a timetable to move the Company convincingly towards this over a 5-year period:

- Through FY19 we successfully stabilised the business, we got our arms around the Construction issues, we refocused the business on the; NZ, Pacific and Australia geographies, we achieved the successful sale of our various international businesses outside of these areas, and ended the FY19 year with a materially stronger balance sheet.
- Through FY20, we were then able to focus on what I call the "self-help" issues and look to drive performance improvements across all areas of our business. This included some major interventions. An organisation-wide safety reboot, the complete overhaul of Fletcher Construction, and the major reset of our Australian business. But it also covered a drive to get better at the basic operational disciplines across all our businesses, making it clear what was expected and providing the training to support this.

- The unexpected twist in FY20 was COVID-19 but because we dealt with its consequences quickly and firmly, it has allowed us to stay on track with our plans to keep driving performance and growth across the entire business.

I will spend the balance of my presentation talking to what we are now focused on and look to bring it to life for you with examples as I go.

Key areas we are driving

Across each area of our business we are constantly looking at five main things:

- Firstly, getting everyone who works for us, or with us, home safely each and every day.
- Secondly, having the customer at the centre of everything we do. We have to ensure we are providing market leading customer services, customer solutions, and customer performance all of the time.
- Thirdly, is our drive to operational excellence. We want to be lean and efficient, with competitive cost structures across all areas of our business.
- Next, we want all our go forward businesses producing economic returns in the top quartile of their respective industry.
- And finally, we want to lead the market and our competition in innovation and sustainability, effectively using both these, as levers to achieve growth above market, and to ensure we're doing the disrupting to others.

Positions us well to drive shareholder returns into the future

Beyond the progress we are making across these five areas, there are a number of other factors that that set us up well, to drive strong shareholder returns into the future.

- We are a much more focused company, with the bulk of our operations now only in New Zealand and Australia.
- We are running similar businesses across both these geographies. And this means that there is a lot of consistency in what we need to get right across all of Fletcher Building.
- There is still a large chunk of improvement that can come from what I call "self-help". This means there are significant upside improvements available to us, from what is "in our control".
- We have a strong balance sheet and good cash flows underpinning these endeavours.
- And, the longer-term trends, are tails winds. Population and immigration growth will reboot and should continue and the relative isolation of both countries means; that in country scale positions have a good competitive advantage, and that we can be a fast follower, and still be first with the introduction of new technologies and innovation in our region.

All this positions us well for a strong future.

Against this backdrop, I remain confident we can deliver against the FY23 targets we set ourselves back in mid-2018, and these are:

- To achieve revenue growth above the background market growth;
- To grow margins across all businesses such that group profitability gets to at least 10%;
- And with this to get ROFE above 15%.

Trading update 4 months ended 31 October 2020 – Safety focus continues with a strong emphasis on critical risks

I want to now move onto the 4-month trading update for FY21 that we provided to the market on the 10th of November. Starting firstly with safety. Our Serious Injury rates and Total Recordable rates are running at similar levels to this time last year. That said, through FY21 we are targeting to improve on last year, as we expect to see the benefits from our safety programs flowing through to the outcomes we are achieving.

Our particular emphasis through this year is to ensure our people have the skills to identify and eliminate critical risks. These are the risks, that should they occur, they would cause a serious injury or fatality.

Trading update 4 months ended 31 October 2020 – Safety focus continues with a strong emphasis on critical risks

The trading update also showed we are making good progress on improving the operating performance across all of our businesses. Through the first 4 months we saw Group revenues up slightly by 1%, Group EBIT of $227 million, up $80 million, Group EBIT margin up 2.9ppts to 8.4% due to improved operating efficiency, and our cash flows and balance sheet remain strong: with net debt at $388 million and available liquidity at $1.4 billion as at 31 October 2020

Looking forward we want to build on this progress and in the coming slides I will outline where our focus and emphasis will be in each of our major business areas.

NZ Core – Key focus areas

Starting with our New Zealand Core businesses which cover our; Building Products, Distribution and Concrete Divisions. Unsurprisingly, our focus across these businesses will continue in 3 key areas:

- Firstly, continuing to drive operational excellence;
- Secondly, building a greater tempo and cadence in driving innovation and sustainability across our products and services;
- And finally, moving at pace to improve on our customer offerings particularly around ecommerce and our digital interfaces.

NZ Core – What we are delivering

Digging into each of these areas a bit more. The graphic on the left of this slide, brings to life the progress we have made on driving margin improvements across our core NZ businesses. Here you can see that through the first 4 months of FY21 we achieved a margin increase of 2.4%. On the right-hand side, we have picked out a few examples of innovation that are occurring across these businesses that are driving both revenue, and cost improvements.

Dimond Steel has developed a methodology that allows the steel roof to be rolled at the site, and up at the roof level. This unique process removes all the joints across a long span roof making installation easier, safer, and the roof far less susceptible to leaks – this methodology was recently used with great success, at a large distribution centre in Auckland

Iplex has introduced a mobile production plant for polyethylene pipes in the South Island, again this allows for much longer pipe lengths to be produced, reducing both the number of joints, and the installation costs.

Winstone Wallboard's weatherline product continues to see good uptake and increasing volumes, particularly across the residential sector. And, our focus on sustainability continues. Two good examples include; the modification of our Portland cement works to consume old tyres as fuel – this prevents up to 60% of waste tyres going to NZ landfill and displaces coal as a fuel source, a double win for the environment. And secondly, the addition of solar panels to the roof top of our Laminex manufacturing plant in Hamilton – this makes it one of NZ's largest solar roof top installation.

NZ Core – What we are delivering

As I mentioned our customer focus across our NZ core is on improving our capability and offers, across the ecommerce, digitisation and data analytics space. And the impacts from the COVID-19 pandemic have only amplified the need for speed in this area.

Pleasingly, we are starting to make some good progress across a number of fronts:

In PlaceMakers we have continued to build on our back of house "in store" digital customer interfaces, and have now added uber style track and trace capabilities to over 70% of our "from branch" deliveries, we have also ramped up our online presence where expect to have more than 50,000 of our products online for sale by January 2021.

The upgrade of our Firth ready mix concrete truck fleet continues - and it now has 35% its fleet digitally enabled. This means we bypass the need for physical paperwork, with the customer now receiving electronic delivery dockets directly.

And Laminex NZ has deployed our successful Laminex Australia ecommerce portal and is already achieving around $1.2 million of sales per month since its launch late last year.

All this however is only the beginning, and we will continue to work hard in this space across all of our core New Zealand businesses.

Residential and Development – Key focus areas

Our Residential and Development business continues to perform strongly and remains well positioned to pursue a number of growth initiatives.

Firstly, we are confident we can continue to grow our present low-rise residential business, from around 750 to 1,000 houses a year over the coming years.

Secondly, we want to progressively scale up Clevercore, our OSM manufacturing business, such that it's manufacturing at least 500 houses per year.

And Thirdly, we will look to also scale up our mid-rise apartments business. We see this as a good opportunity, that follows the trend of increasing densification of housing in larger cities.

Residential and Development – What we are delivering

This year our Residential housing business will deliver between 700 to 800 houses and with around 3,500 future lots under our control, the business remains well positioned to continue performing at this level. The speed with which we will then grow to a 1,000 houses per year, will be dependent on accessing sufficient land at the right price, and on how strong the overall market is. Our land development business pipeline remains robust, and this business should continue to generate at least $25 million per annum into the future. This year our key sales are second half weighted and are likely to include sales of land from two sites in Brisbane and Sydney. These are sites we no longer are using to operate our businesses in Australia.

Residential and Development – What we are delivering

Clever Core is our off-site manufacturing plant for residential housing. This is an important investment for us; both as a business opportunity in its own right, but also it allows us to directly participate in the construction macro trend, for increasingly more modularisation and offsite manufactured components.

Clever Core provides us with an opportunity to disrupt ourselves in this space, and adapt our manufacturing, distribution, and onsite construction techniques to suit where the industry is heading over the coming years.

And finally, with the increasing trend to housing densification in major cities, we are well placed to scale up our apartment business. Like our low-rise housing business, we will position ourselves in the mid-market range, and focus on producing a high quality, and good value for money product for our customers.

Market permitting, we would expect to take around three years to get this business to a meaningful scale and annual throughput.

Construction – Key focus areas

While we remain intent on finishing the legacy Construction projects to a high quality and within provisions, pleasingly, our focus across Fletcher Construction is increasingly about building its future, rather than clearing up the mistakes of the past.

The teams continue to make good progress on lifting the skills, operating disciplines, and governance across all the construction businesses. The best evidence of the success of this, is with our customers, where we continue to successfully build our forward order book, winning the right work, with the right risk profile and margins.

Construction – What we are delivering

This progress is well evidenced on this slide. The graph on the left shows the progress we have made in completing the legacy projects. We now have under $600 million of work remaining, while at the same time we have successfully built a forward order book of over $2.4 billion with much better risk and margin profiles.

Unsurprisingly, with the NZ Government's focus on infrastructure sector investment - much of this new work is focused in this area.

A pleasing recent win was the AMETI Eastern Busway Alliance project in Auckland. This is a major multi-year project, and the consortium we are part of has now been announced as the preferred partner with Auckland Transport.

Australia – Key focus areas

Our Australian business has been through a tough few years, as we dealt with a contracting market, the impacts of COVID-19, and many of our own "home-made" operational issues. Over this period, the team in Australia has stayed focused on what was needed to work through this, and we are now seeing improvements in both profits and profitability. That said, there remains much to do and with that, further upside and opportunity for us to deliver.

To ensure we complete the Australian turnaround, and capture these further improvements we continue to focus across 3 main areas:

- Driving and improving operational excellence;
- Ensuring we have a strong pipeline of product innovation and sustainability improvements;
- And really lift our customer service proposition and performance, with a particular emphasis on ecommerce and digital.

Australia – What we are delivering

The progress we are making in Australia is brought to life well on this slide. In the graphic on the left, you can see the profitability improvements we are now delivering - EBIT profits were 4.0% for the first 4 months of FY21, compared to 2.3% for the same period last year – a pleasing increase.

And the pictures on the right showcase some of what we are doing around product innovation and sustainability:

- In Laminex, we have completed our biggest product launch in 25 years, which saw us refresh the entire brand and range. This has been very well received by our customers and is a big part of what is driving the performance improvements we are seeing across this business;
- In Fletcher Insulation, we have completely refreshed and upgraded our packaging, our range of products, and introduced new and innovative products such as the FirmaSoft wall and ceiling insulation batts. These contain 80% recycled content, have better thermal and acoustic properties, and are easier to handle;
- In Stramit, we have introduced new steel roofing ranges, the Sharpline roof, and InfinitiLine gutter both which have a more modern profile, is our own product, and therefore we can earn better margins;
- And in Oliveri, we have recently launched a whole new bathroom category, this means we now have a "good, better, and best" option across our own range and brands in bathroom products.

Australia – What we are delivering

And in Australia, very much like our focus in New Zealand, we are putting a significant effort into our customer facing, ecommerce and digital capabilities. We show two good examples of our progress on this slide:

- In Laminex, we are now seeing around 27% of our sales occurring through our ecommerce portals, and this has occurred in only an 18-month period.
- And in Tradelink, our new website just went live, and this now provides the ability for customers to purchase and transact online. This had been a critical missing piece in our Tradelink customer offer.

These, and the other steps we are taking around our ecommerce platforms across Australia, are critical components in getting our businesses competitive and fighting fit across the country.

FY2021 outlook

To finish, I would now like to move to the outlook. As we covered in our recent trading update, we expect first half volumes to remain very resilient, and continue in line with the strong trading we have seen so far through FY21. The second half remains less certain but from what we can tell from our present quote activity, and order books, we expect a reasonable start.

But as a result of the ongoing uncertainty caused by COVID-19, we will only be providing half year guidance today. In line with this, we expect our FY21 half year EBIT to be in the range of $305 to $320 million – and this compares favourably to the $219 million we made in the first half of last year. We will also continue to keep a tighter rein on capex through this year, and as such we continue to expect the full year capex to be around $200 million.

In closing, I'd like to thank our employees, suppliers, and customers for their commitment and all they have done through the last 12 months. I also want to thank you, our shareholders, for continuing to support Fletcher Building.

This has been a challenging year for us, which we I feel we've navigated well. Even more pleasing for me, is that we are now seeing the benefits of the work we have been doing over the last two years, start to show up in our performance and results.

Tena koutou, Tena koutou, Tena koutou katoa.

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