Fletcher Building

Half Year Results to 31 December 2020

ROSS TAYLOR
— Chief Executive Officer

BEVAN MCKENZIE
— Chief Financial Officer

17 February 2021

Fletcher Building Limited

Important Information

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This presentation provides additional comment on the 2021 Interim Financial Results dated 17 February 2021. As such, it should be read in conjunction with and subject to the explanations and views given in that document. Unless otherwise specified, all information is for the half year ended 31 December 2020.

In certain sections of this presentation, Fletcher Building has chosen to present certain financial information exclusive of the impact of significant items. A number of non-GAAP financial measures are used in this presentation which are used by management to assess the performance of the business and have been derived from Fletcher Building's financial statements for the six months ended 31 December 2020. You should not consider any of these statements in isolation from, or as a substitute for the information provided in the Financial Statements for the six months ended 31 December 2020, which are available at www.fletcherbuilding.com.

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Agenda

1. Results Overview	Ross Taylor
2. New Zealand Operations	Ross Taylor
3. Australia Operations	Ross Taylor
4. Financial Results	Bevan McKenzie
5. Outlook	Ross Taylor

Strong HY21 performance
2.5 years into strategy - delivering performance and earnings growth

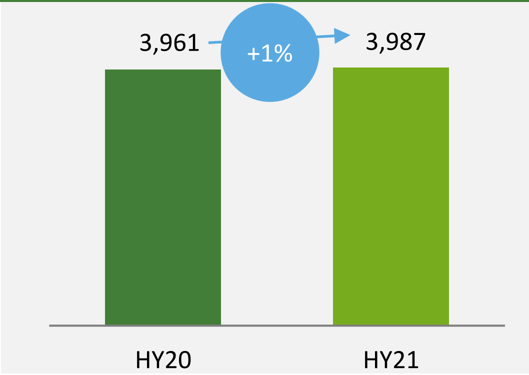
HY21

FY2021
PERFORMANCE AND GROWTH

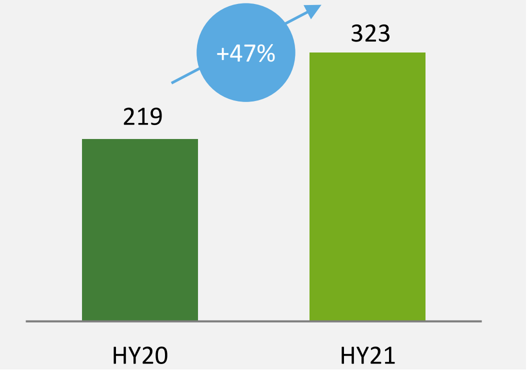
- Strong earnings growth delivered, efficiency programme embedded and sustainable
- Market environment broadly stable
- Revenue solid overall: growth in NZ Core and Residential housing
- Earnings margins higher in all divisions, driven by operating leverage and efficiencies in line with targets
- Strong cash generation and balance sheet
- Interim Dividend of 12.0 cents per share, covenant relief retained until end of FY21

HY21 results at a glance
Strong earnings growth, improved profitability and margins

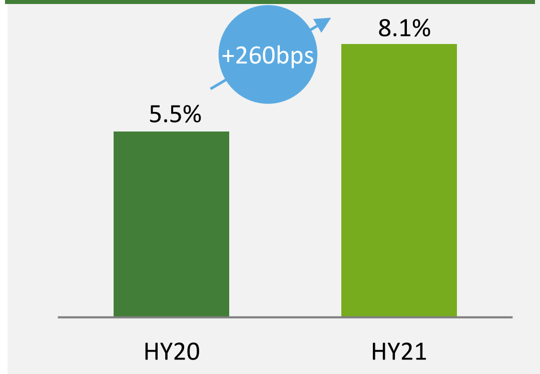
Revenue ($m)



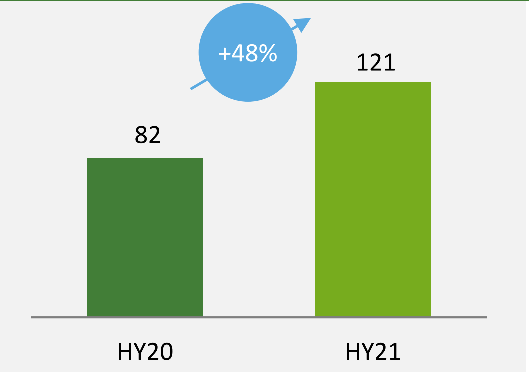
EBIT (before sig items) ($m)



EBIT Margin[1] (%)



Reported Net Earnings($m)



HY21 trading highlights

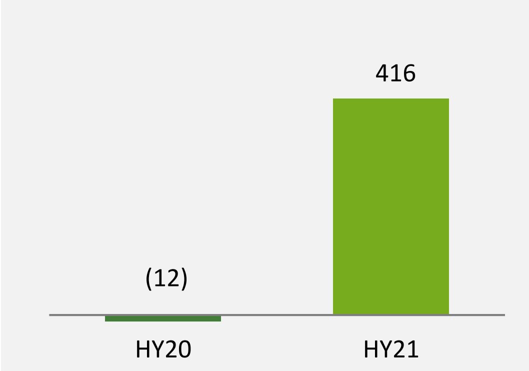
- Revenue stable overall: growth in businesses exposed to residential, offset by softer Commercial and AU civil markets and reduced legacy Construction work
- Sustainable improvement in profitability across all Divisions
  - NZ Core EBIT margin[1] improvement to 11.3% (from 8.8%)
  - Australia EBIT margin[1] improvement to 3.7% (from 2.4%)
- c85% of HY21 EBIT[1] growth is from operating efficiency initiatives embedded over past three years
  - On track to deliver $150m+ p.a. gross cost reduction in FY21
- Net Earnings include Significant Items charges of $86m relating to final phase of restructuring costs and Rocla impairment

[1] Before significant items

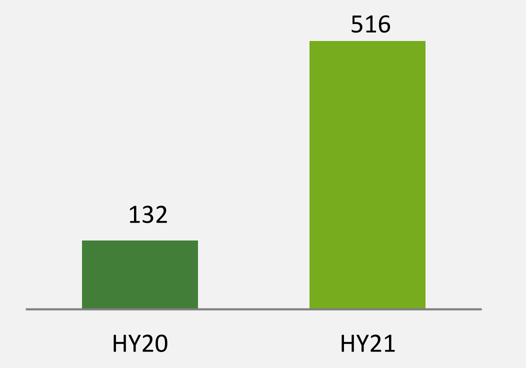
Note: Measures before significant items are non-GAAP measures used by management to assess the performance of the business and have been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2020. Details of significant items can be found in note 2.1 of the interim financial statements

HY21 results at a glance
Strong cash flows, net debt reduced

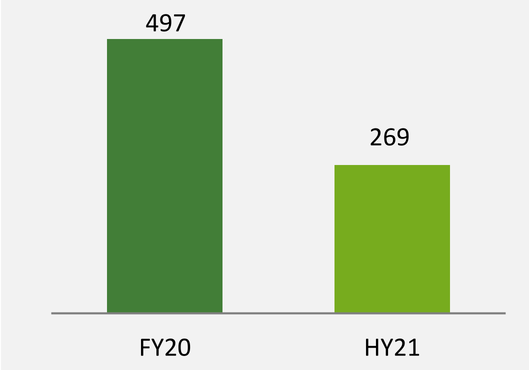
Free Cash Flow[1] ($m)



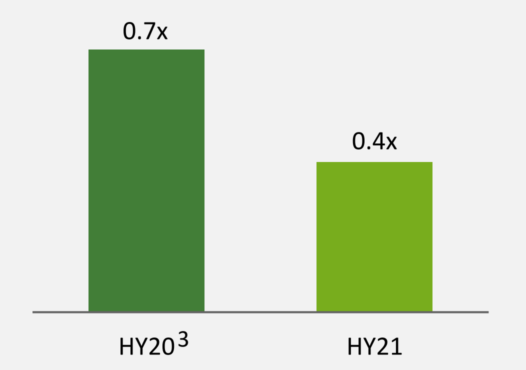
Trading Cash Flow[2] ($m)



Net Debt ($m)



Leverage (Net Debt/EBITDA)



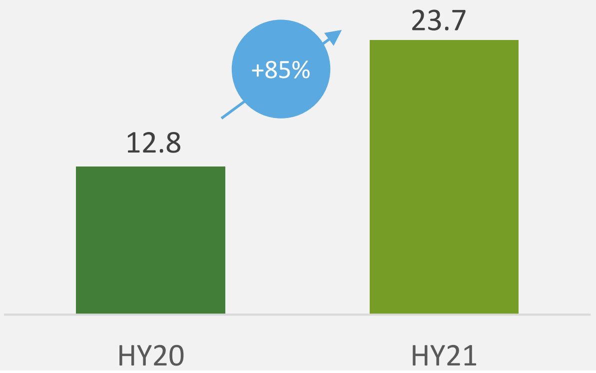
HY21 trading highlights

- Strong cash flows and net debt reduction: driven by earnings growth and tight management of working capital and capex
- Gross debt further reduced by $714 million in HY21
- Balance sheet remains strong: $1.5bn liquidity, leverage 0.4x
- Leverage currently below target range of 1.0x-2.0x: expect to move to lower end of range once investment in WWB plant and legacy construction projects are complete

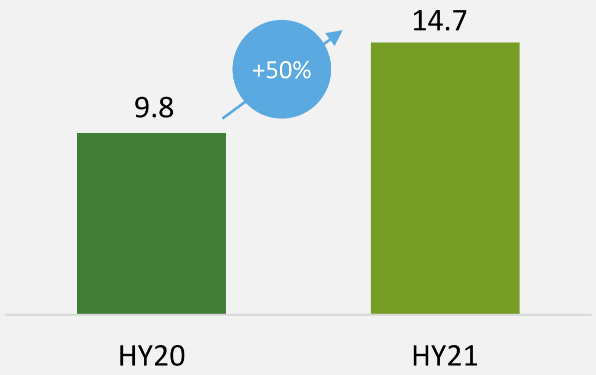
[1] Free cash flow from operations excluding legacy
[2] Excluding legacy and significant items cash flows
[3] Due to material impact of FX movements on balance sheet value of debt in recent months, the Group will use hedged value of debt in its leverage calculation – i.e. Net Debt includes impact of CCIRS derivatives. HY20 has been restated for the historic impact of debt hedging on leverage ratio (c0.1x)
Note: Measures before significant items are non-GAAP measures used by management to assess the performance of the business

HY21 results at a glance
Interim dividend of 12.0 cents per share declared

EPS (before sig items) (cps)



EPS (cps)



Interim dividend

12.0cps

HY20: nil

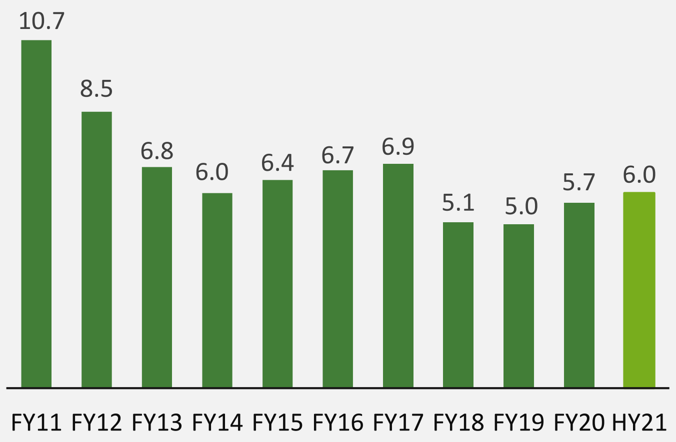
- Policy to pay dividends in the range of 50% to 75% of net earnings before significant items and having regard to available cash flow[1]
- Interim Dividend of 12.0 cents per share, to be paid on 24 March 2021
- Agreement with lenders to retain covenant relief until Jun-21 (previously until Dec-21)
- Expect to be in a position to pay a final FY21 dividend

[1] *Available cash flow = Free cash flow less cash interest*

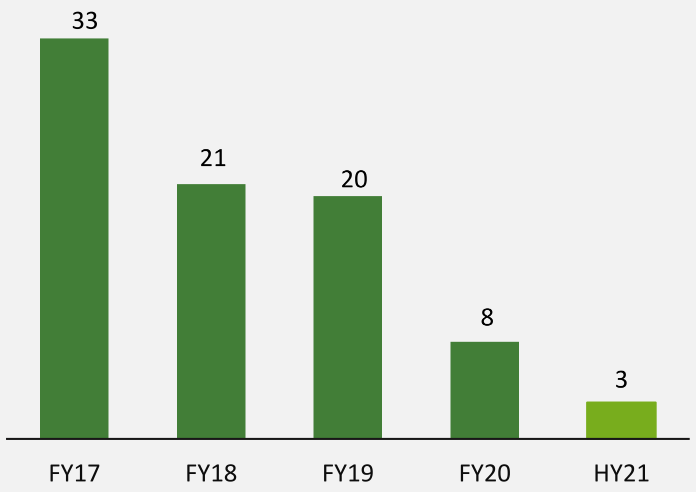
Continued resolute focus on safety

Safety

Total Recordable Injury Frequency Rate [1]



Serious Injuries [2]



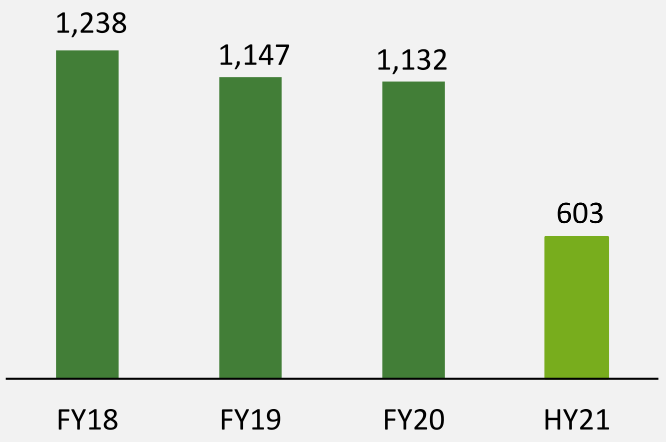
- ‘Protect’ safety programme to realise a future where *zero injuries everyday* is possible
- Current focus is on critical risks, high potentials and resetting culture and behaviours
- Serious Injury elimination remains our initial goal
- TRIFR target to under 5.0 (well below industry average)

[1] TRIFR = Total no. of recorded injuries per million man hours worked. Does not include Restricted Work Injuries
[2] Serious Injury include immediate treatment as an in-patient at hospital for more than 24 hours or immediate treatment for a serious injury or illness as defined by Safe Work Australia

Sustainability
Progress made and improved recognition

Carbon (CO_2) Emissions

(thousand Tonnes)[1]



- Current year emissions reflect return to normal activity, follows COVID shutdowns in FY20 and GBC outage in FY19
- Verified Science Based Target to reduce Carbon Emissions by 30% by 2030
- Achieved significant sustainability milestones which recognise our leadership and the transparency of our ESG reporting
    - Dow Jones Sustainability™ Asia Pacific Index and DJSI Australia index inclusion
    - Improved CDP rating for our approach to managing carbon emissions and climate change – D to B in two years

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

CDP
DISCLOSURE INSIGHT ACTION

MSCI ESG RATINGS
A

CCC	B	BB	BBB	A	AA	AAA

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

[1] *Carbon data excludes emissions from the International division which was divested in FY19*

Agenda

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2. **New Zealand Operations — Ross Taylor**
3. Australia Operations — Ross Taylor
4. Financial Results — Bevan McKenzie
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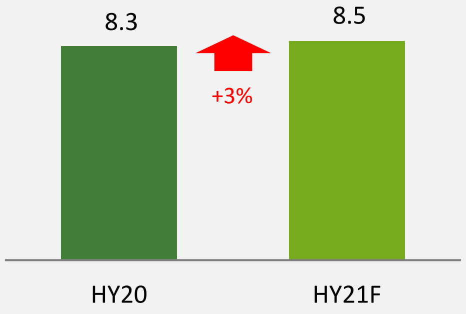
New Zealand Market

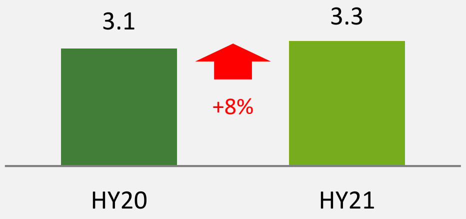
Residential supportive, solid Infrastructure pipeline, Commercial softer

NZ Residential

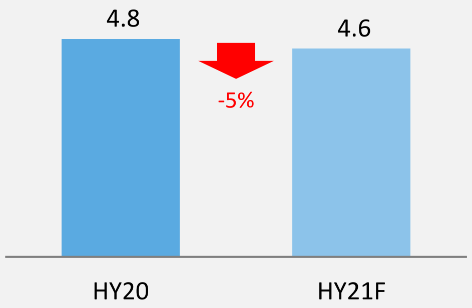
Work Put in Place ($b)



Floor Area Consented (Mm^2)



NZ Commercial Work Put in Place ($b)



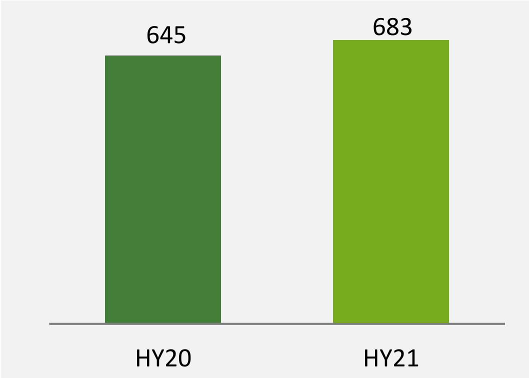
- NZ Residential is 53% of NZ FB revenue
- HY21 saw solid residential building activity, 3% increase in work put in place and 8% increase in new work consented
- Lag between consenting and FB product sales is 4 – 6 months on average, pointing to robust activity in 2H21
- Positive outlook supported by customer pipelines and PlaceMakers quoting volumes, which are running broadly in line with consents

- NZ Commercial is 22% and NZ Infrastructure is 25% of NZ FB revenue
- Commercial and infrastructure sectors trended slightly lower in HY21
- Outlook for commercial is to continue to trend slightly lower, while Infrastructure has a strong long-term outlook supported by government investments especially roads and water

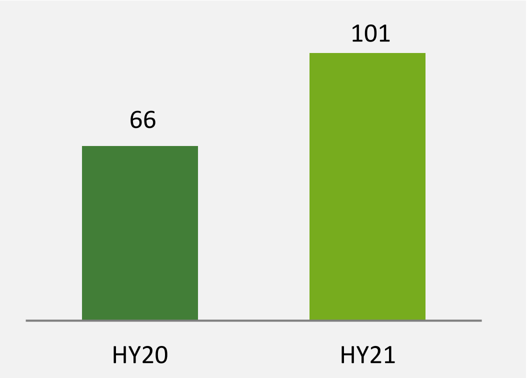
Source: Statistics NZ, Infometrics

Building Products
HY21 results overview

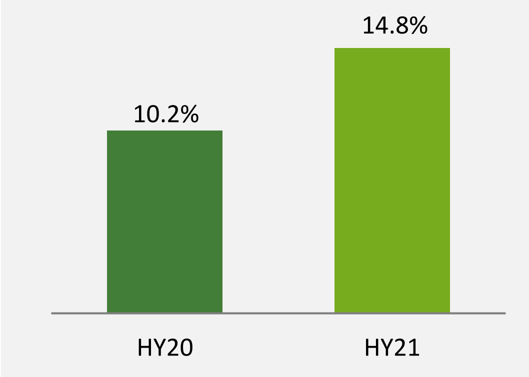
Gross Revenue ($m)



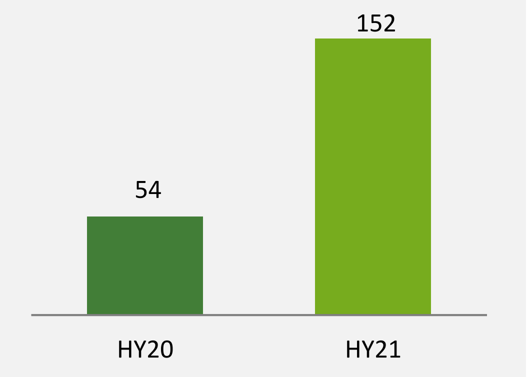
EBIT ($m)



EBIT Margin (%)



Trading cash flow ($m)

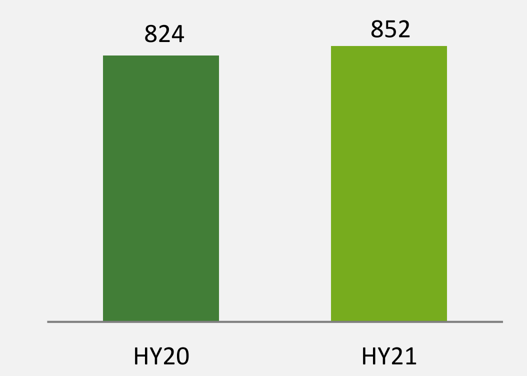


Trading performance and operating highlights

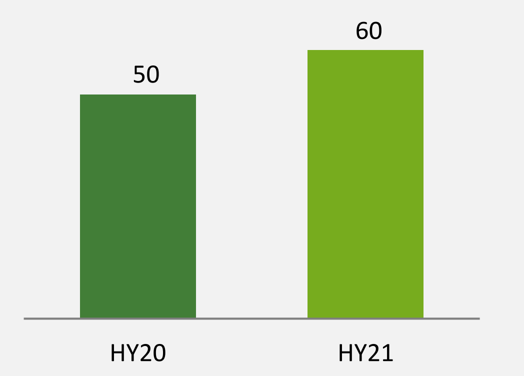
- Revenue up 6%: good demand from residential finishing trades and subdivision work, plus share gains and improved pricing disciplines
- EBIT up 53% due to margin improvement of 460bps: operating efficiency and better contribution from Steel and Pipes
- Strong cash flows from working capital control, esp. Steel; some inventory rebuild expected in 2H21
- Operational highlights:
    - Expansion into new segments and categories, e.g. Pipes businesses into the electrical space
    - Increased market share in several businesses as customers show preference for NZ made product
    - Focus on Pipes and Steel businesses delivering improvement
    - WWB plant build progressing to plan

Distribution
HY21 results overview

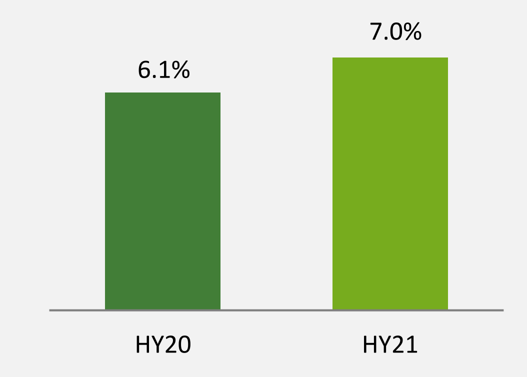
Gross Revenue ($m)



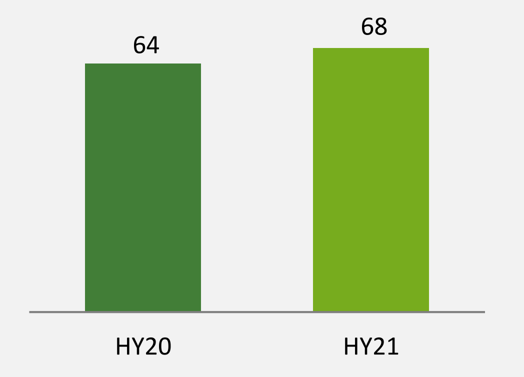
EBIT ($m)



EBIT Margin (%)



Trading cash flow ($m)

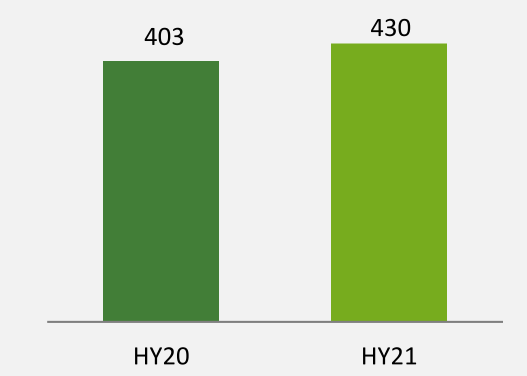


Trading performance and operating highlights

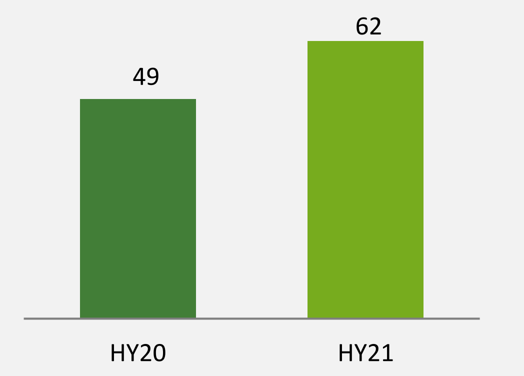
- Revenue up 3%: good demand from residential trades and consumer segments, partly offset by softer commercial sector
- EBIT up 20% with margin improvement of 90bps: efficiency initiatives more than offsetting competitive pressure on price
- Trading cash flow solid on good working capital management, some inventory build in HY21 to ensure availability of key stock lines
- Operational highlights:
  - Digital: PlaceMakers Trade Portal and consumer ecommerce and click & collect sites released
  - PlaceMakers transport management system now live across branch network, track and trace from initial order to delivery
  - Regional Hub structure now live in Auckland and Christchurch

Concrete
HY21 results overview

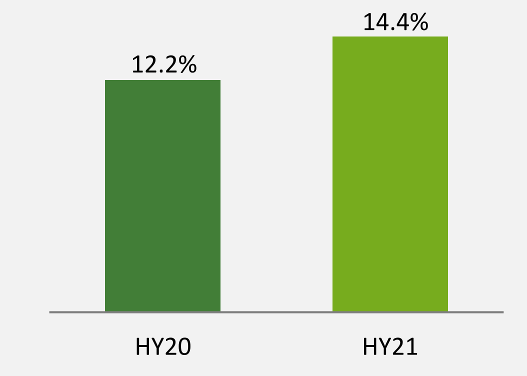
Gross Revenue ($m)



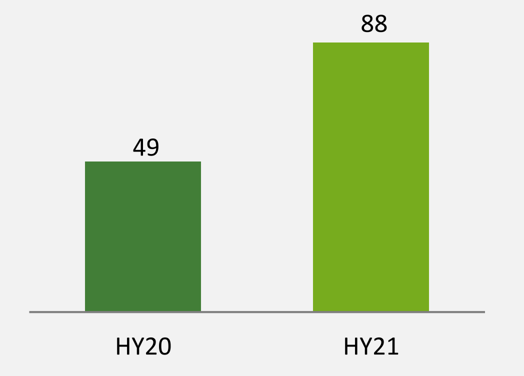
EBIT[1] ($m)



EBIT Margin[1] (%)



Trading cash flow ($m)



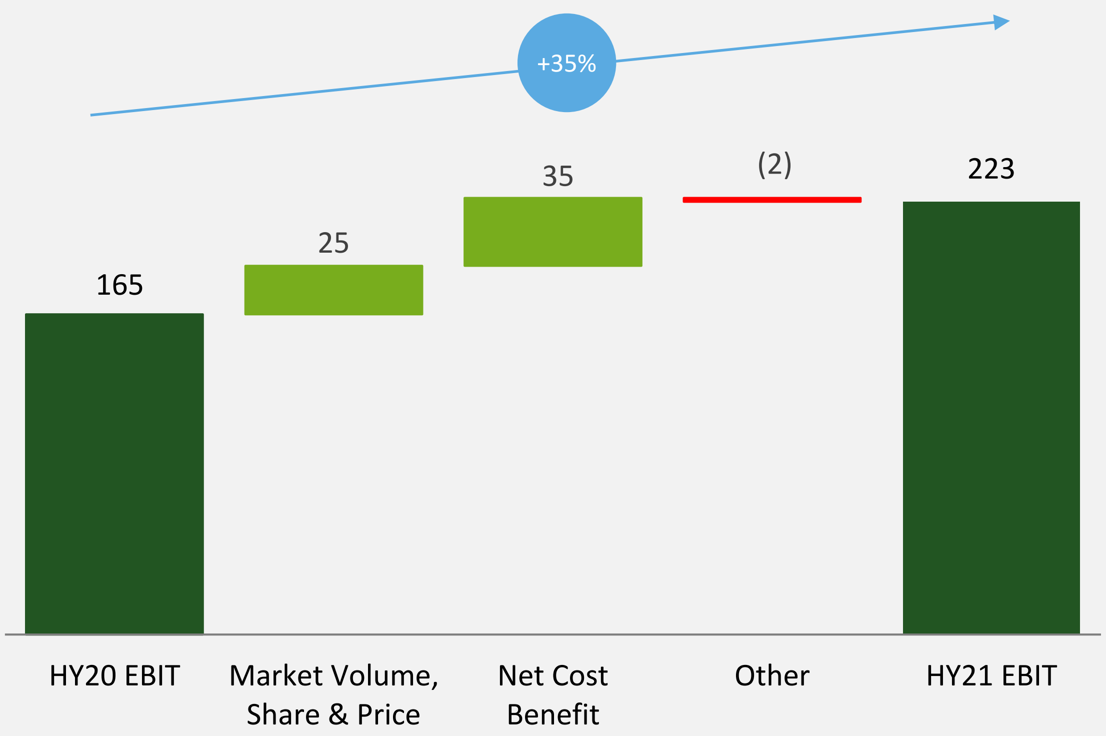
Trading performance and operating highlights

- Revenue up 7%: robust demand across all key segments, share gains in cement, improved pricing in ready-mix and aggregates
- EBIT up 27% through margin improvement of 220bps: manufacturing and supply chain efficiency, partly offset by costs to prepare GBC Tyre Derived Fuel project
- Strong cash conversion, expect some inventory rebuild in 2H21
- Operational highlights:
  - Tyre Derived Fuel project: commissioning to commence in Feb-21
  - Sustained focus on carbon reduction: trial batch of pozzolanic cement produced, commercial testing underway

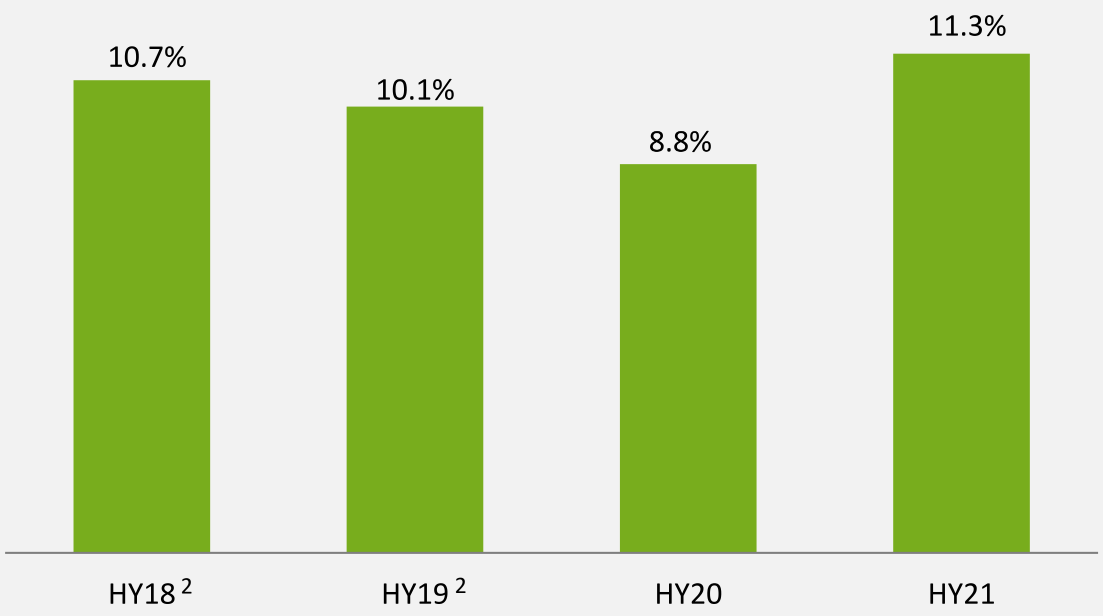
[1] *Before significant items*

NZ Core (Building Products, Distribution, Concrete)
Improvement driven by solid volumes, pricing, lower costs

NZ Core EBIT[1]: HY20 to HY21 ($m)



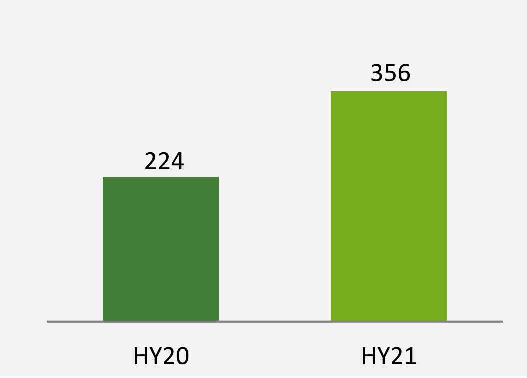
NZ Core EBIT Margin[1]: HY18 to HY21 (%)



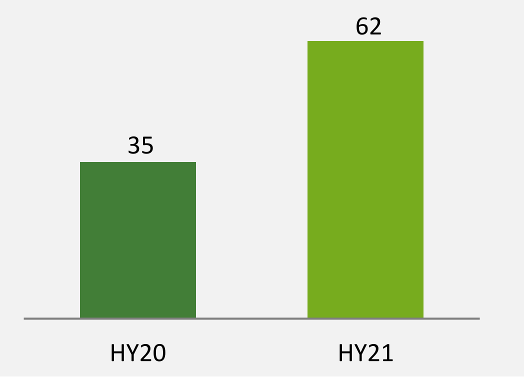
[1] *Before significant items*
[2] *HY18 and HY19 adjusted for IFRS16 to be like-for-like with HY20 and HY21*

Residential and Development
HY21 results overview

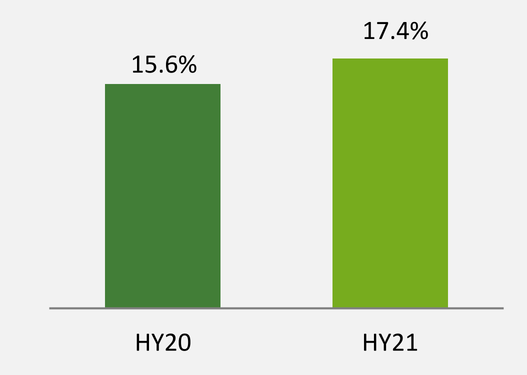
Gross Revenue ($m)



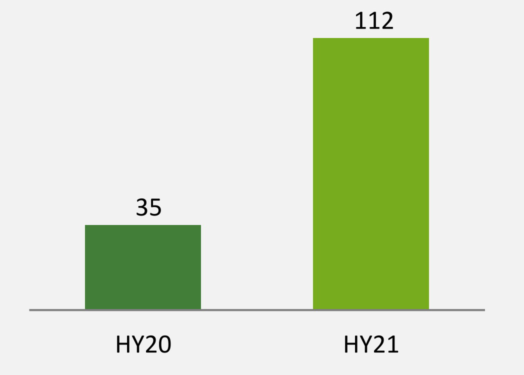
EBIT ($m)



EBIT Margin (%)



Trading cash flow ($m)

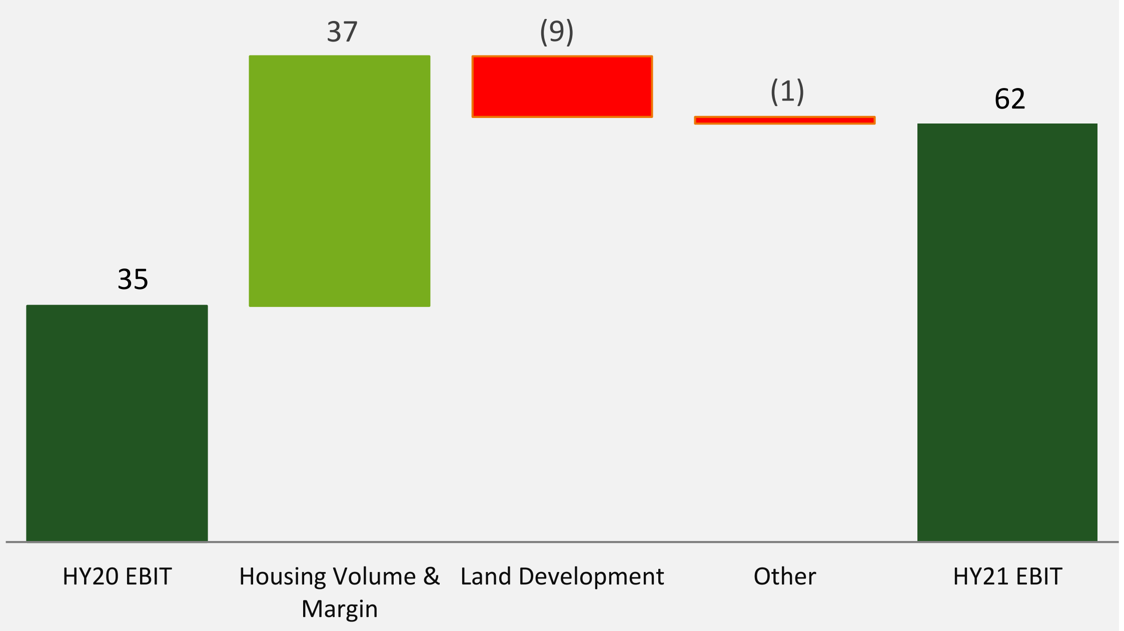


Trading performance and operating highlights

- Revenue up 59%: unit sales increased to 515 (vs. 293 in HY20) on strong demand in both Auckland and Christchurch; average price of units sold 5% higher
- EBIT up 77%: strong volumes and favourable mix in typologies sold
- Cash flow strong on high sales volumes and reduction in housing stock levels, inventory rebuild likely in 2H21
- Operational highlights:
  - Strong pipeline of c3,600 future lots under control, of which c900 for delivery in FY22
  - Clever Core panelised volumes ramping up (34 in HY21), sales to third parties targeted for FY22
  - Dedicated apartments team established to scale this business

Residential and Development
Residential earnings weighted to first half, Land Dev't mainly second half

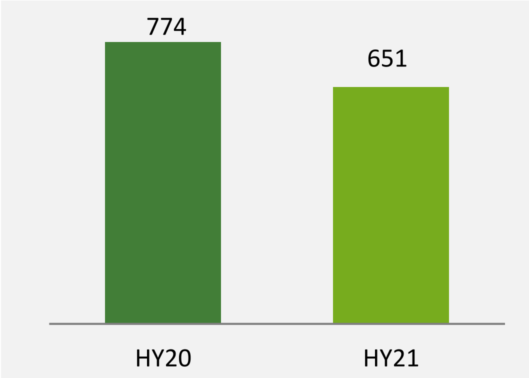
Residential & Development EBIT: HY20 to HY21 ($m)



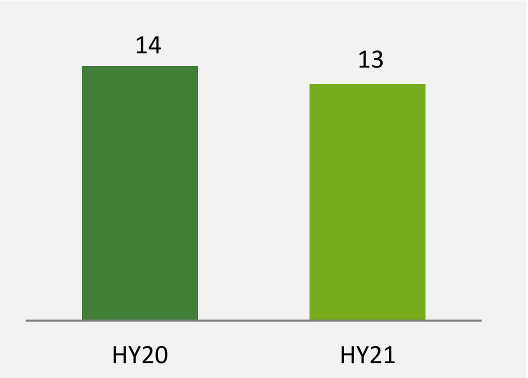
- Residential:
  - Uplift in HY21 earnings driven by strong housing volumes, including c100 in Q121 relating to sales made in FY20
  - Targeting c800 house sales in FY21 (of which 515 in HY21): hence Residential earnings will be weighted to HY21
- Land Development:
  - Two major transactions planned for second half of FY21: Crane Copper Tube Sydney site (delayed from FY20) and Rocla Brisbane site
  - Expect c$40m EBIT in FY21, higher than usual $25m p.a. EBIT run-rate
  - Sale of Rocla Sydney site on track for FY22

Construction
HY21 results overview

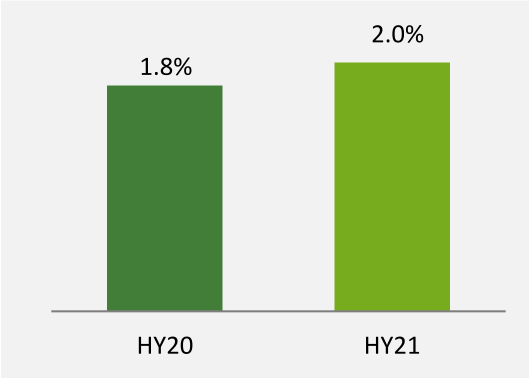
Gross Revenue ($m)



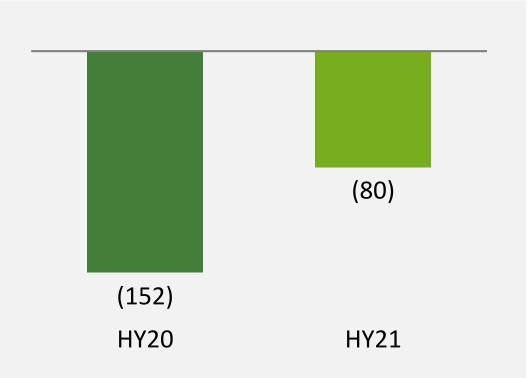
EBIT[1] ($m)



EBIT Margin[1] (%)



Trading cash flow ($m)



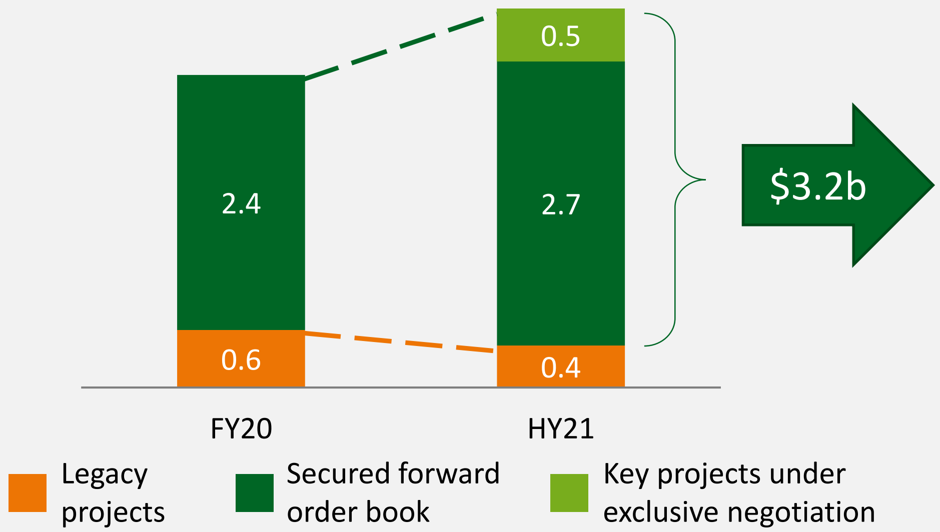
Trading performance and focus areas

- Revenue down 16%: solely due to reduced revenue on legacy projects, remainder of division stable YOY
- EBIT steady: improved earnings and margins from Higgins and Brian Perry
- Cash flow improvement reflects reduced legacy cash outflows, and better performance in remainder of division (from $10m inflow in HY20 to $30m inflow in HY21)
- Operational Highlights:
  - Continued rebuild of forward order book (see slide 19)
  - Legacy: Commercial Bay and Grey Base Hospital handed over to client, work on infrastructure projects in line with revised completion dates post-COVID-19
  - Ongoing deployment of ‘Fletcher One’ – standardised governance and management framework

[1] *Before significant items*

Construction
Continue to reshape order book

Work to Complete ($b)



Profile of Forward Work

- c80% of forward order book (excl. legacy) is lower-risk forms of contract: alliances, national and local maintenance contracts, and cost-plus / measure & value
- Projects under exclusive negotiation include preferred status on AMETI busway alliance
- Order book includes robust pipeline for FY22 and beyond:
  - c$0.4b in 2H21
  - c$0.8b in FY22
  - c$2.0b in FY23+ (includes 10 year Watercare contract)
- Targeting 3-5% EBIT margin on secured forward order book and work won in-year

Agenda

1. Results Overview Ross Taylor

2. New Zealand Operations Ross Taylor

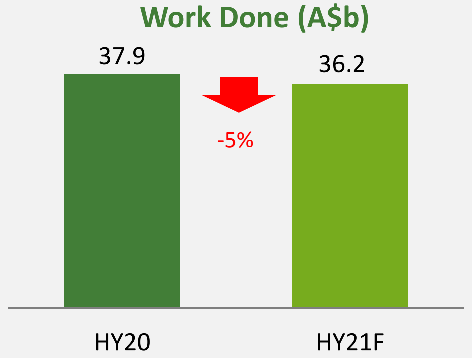
3. Australia Operations Ross Taylor

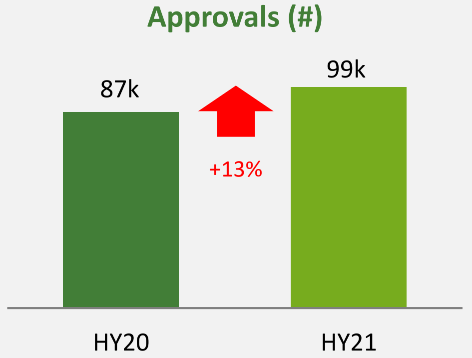
4. Financial Results Bevan McKenzie

5. Outlook Ross Taylor

Market outlook
Australia residential solid with softer commercial and infrastructure

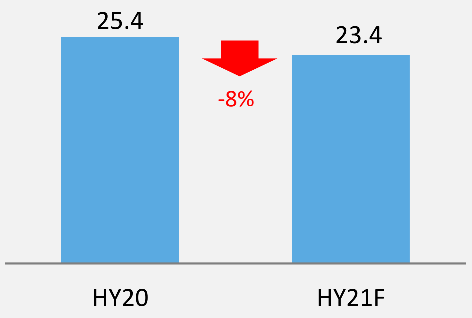
AU Residential





- AU Residential is 60% of FB AU revenue
- HY21 saw robust activity in detached housing and renovations, offset by apartments sector
- Positive outlook with 13% increase in approvals supported by macro factors including low interest rates and government stimulus

AU Commercial Work Done (A$b)

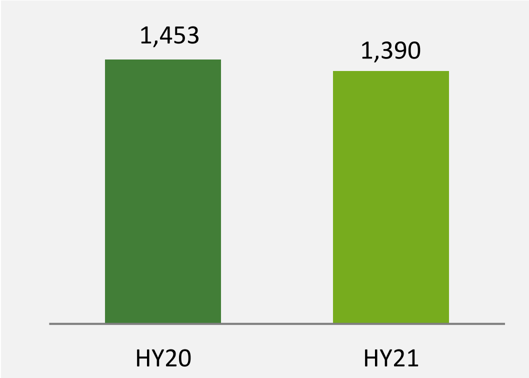


- AU Commercial is 28% and AU Infrastructure is 12% of FB AU revenue
- HY21 saw slowdown in commercial segment with infrastructure segment seeing delays in major projects in key sectors for pipes businesses, notably water and gas
- Outlook for commercial and key civil sectors is for ongoing softer activity in near-term

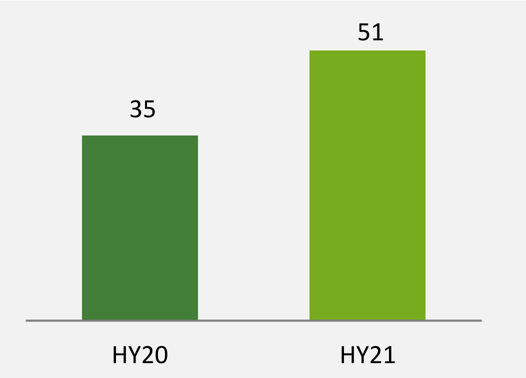
Source: BIS Oxford, ABS

Australia
HY21 results overview

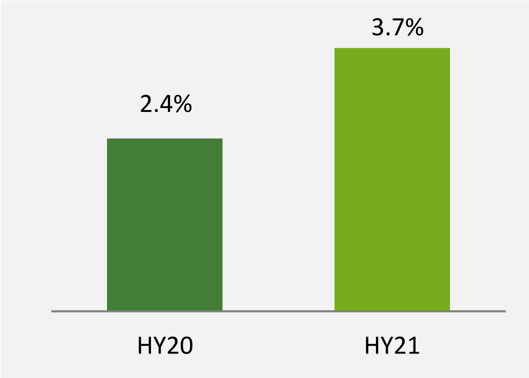
Gross Revenue ($m)



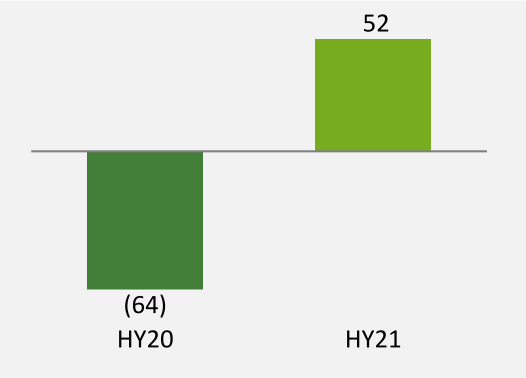
EBIT[1] ($m)



EBIT Margin[1] (%)



Trading cash flow ($m)

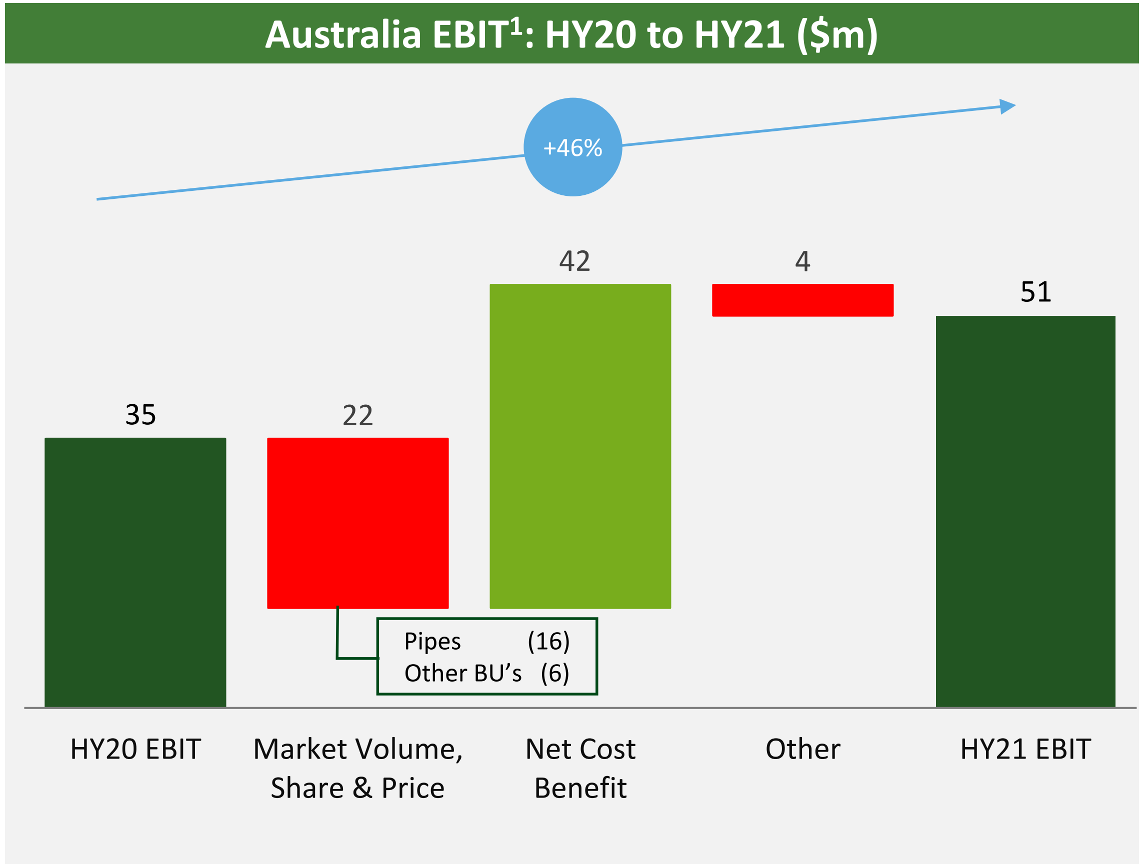


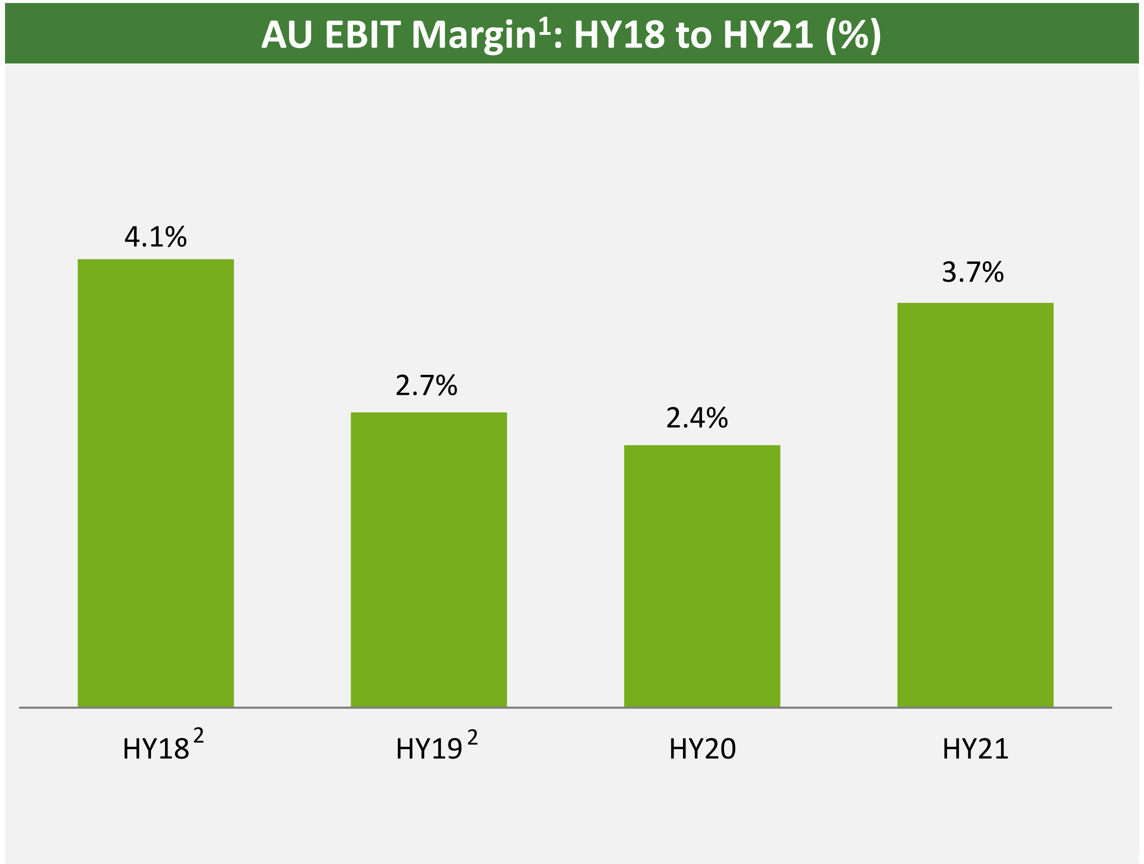
Trading performance and operating highlights

- Revenue down 4%: Pipes businesses down 25% in subdued civil market; remainder of division steady on balance of solid residential demand and softer commercial
- EBIT up 46% with 130bps margin improvement: efficiency programme embedded; $6m benefit from lower depreciation on Rocla (held for sale)
- Trading cash flow driven by material improvements in inventory and debtors management
- Operational highlights:
  - Tradelink sales in key SME segment +4% YOY, and own brand penetration now >25% of front of wall sales
  - Laminex digital sales now 27% of all transactions
  - Insulation fully consolidated onto single manufacturing site
  - Stramit share growth in higher-margin sheds segment

[1] *Before significant items*

Australia
Material benefits from cost-out, partly offset by impact of pipes market





[1] *Before significant items*
[2] *HY18 and HY19 adjusted for IFRS16 to be like-for-like with HY20 and HY21*

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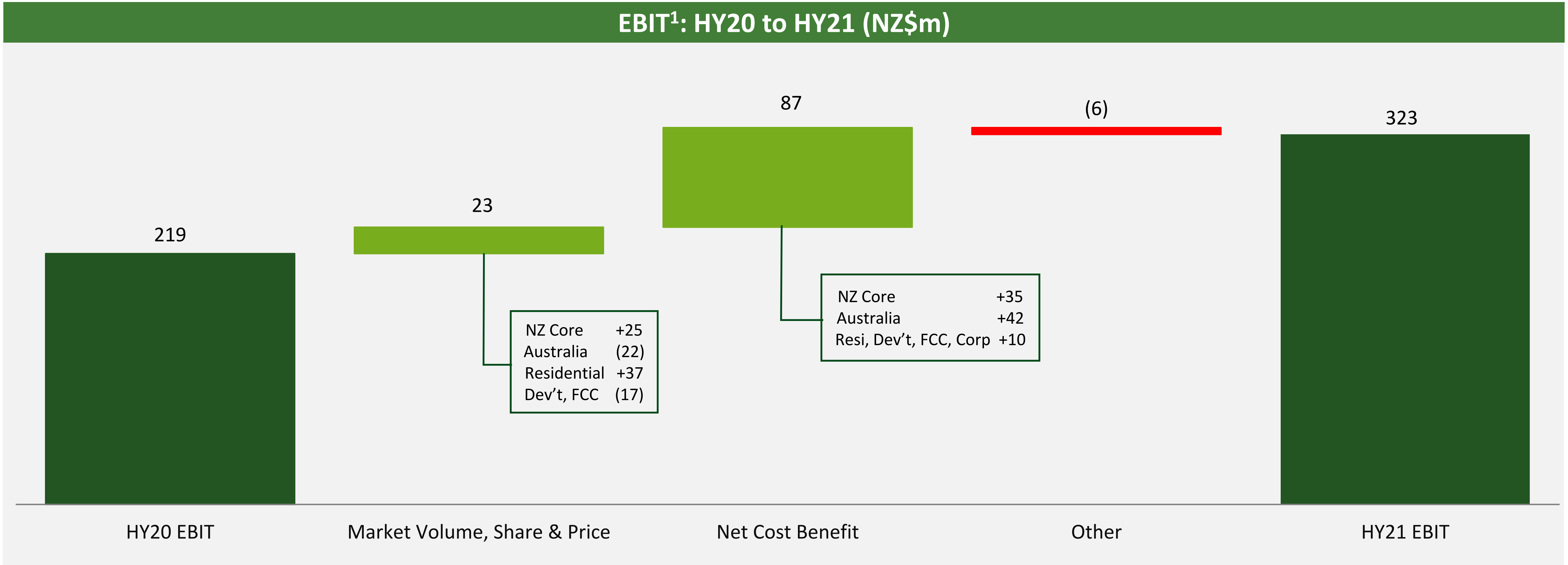
Income statement
Strong result, first half EBIT before significant items ahead of guidance

NZ$m	Dec 2019 6 months	Dec 2020 6 months	Change %
Revenue	3,961	3,987	1%
EBITDA	402	503	25%
EBIT before significant items	**219**	**323**	**47%**
Significant items	(35)	(86)	(146%)
EBIT	**184**	**237**	**29%**
Lease interest expense	(35)	(33)	6%
Funding costs	(35)	(23)	34%
Tax expense	(28)	(57)	(104%)
Non-controlling interests	(4)	(3)	25%
Net earnings	**82**	**121**	**48%**
Basic earnings per share (cents)	9.8	14.7	4.9cps
Dividends per share (cents)	0.0	12.0	12.0cps

HY21 EBIT

Improvement underpinned by operating leverage on lower cost base



[1] *Before significant items.*

Significant items
Restructuring costs lower than prior forecast, Rocla impaired

FY21 significant items (Profit and Loss Charges)

NZ$m	FY21 Prior forecast	HY21	2H21	FY21 Updated
Restructuring	90	35	c30	c65
Rocla Impairment	-	51	-	51
Total	**90**	**86**	**c30**	**c115**

FY21 significant items (Cash Flow)

NZ$m	FY21 Prior forecast	HY21	2H21	FY21 Updated
Restructuring	143	54	c40	c95

- HY21 charges mainly related to Iplex AU site closures
- 2H21 charges are final phase of restructuring, lower than forecast due to improved market environment
- Cash costs materially lower due to reduced restructuring activity and improved outcomes of site exits
- Sustainable annual gross cost benefits of $150m+ represents rapid payback on cash costs
- Rocla impairment reflects updated assessment of likely disposal proceeds; excludes reclassification of Foreign Currency Translation Reserve loss (taken on disposal, cNZD30m)

Cash flow
Strong half year trading and controlled working capital

NZ$m	Dec 2019 6 months	Dec 2020 6 months	Change $m
EBIT before significant items	**219**	**323**	104
Depreciation and amortisation	183	180	(3)
Lease principal payments and lease interest paid	(119)	(124)	(5)
Provisions and other	(5)	19	24
Trading cash flow before working capital movements	**278**	**398**	120
Working capital movements	**(146)**	**118**	264
Trading cash flow excluding legacy projects and significant items	**132**	**516**	384
Legacy projects cash flow	(162)	(109)	53
Significant items cash flow	(24)	(34)	(10)
Trading cash flow	**(54)**	**373**	427
Add: Lease principal payments	84	91	7
Less: cash tax paid	(1)	(3)	(2)
Less: funding costs paid	(34)	(33)	1
Cash flows from operating activities	**(5)**	**428**	433
Free Cash Flow[1] excluding legacy projects	**(12)**	**416**	428

Note: Legacy Construction cash flow includes Building and Infrastructure projects
Free Cash Flow = Trading cash flow less capex less cash tax, excluding M+A activities

Working capital
Well positioned, some inventory rebuild expected in 2H21

Cash flow working capital movements NZ$m	Dec 2019 6 months	Dec 2020 6 months	Change $m
Residential and Development	-	50	50
Construction excluding legacy projects	(15)	6	21
Materials and Distribution Divisions:			
• Debtors	92	64	(28)
• Inventories	(34)	42	76
• Creditors	(189)	(44)	145
Cash flow working capital movements excluding legacy	**(146)**	**118**	**264**

Key working capital metrics (days)	As at Dec 2019	As at Dec 2020	Change (days)
Debtor Days	44.0	39.7	4.3
Inventory Days	75.5	69.8	5.7
Payables Days	41.6	39.2	(2.4)
Materials and Distribution Total Cycle	**77.9**	**70.3**	**7.6**

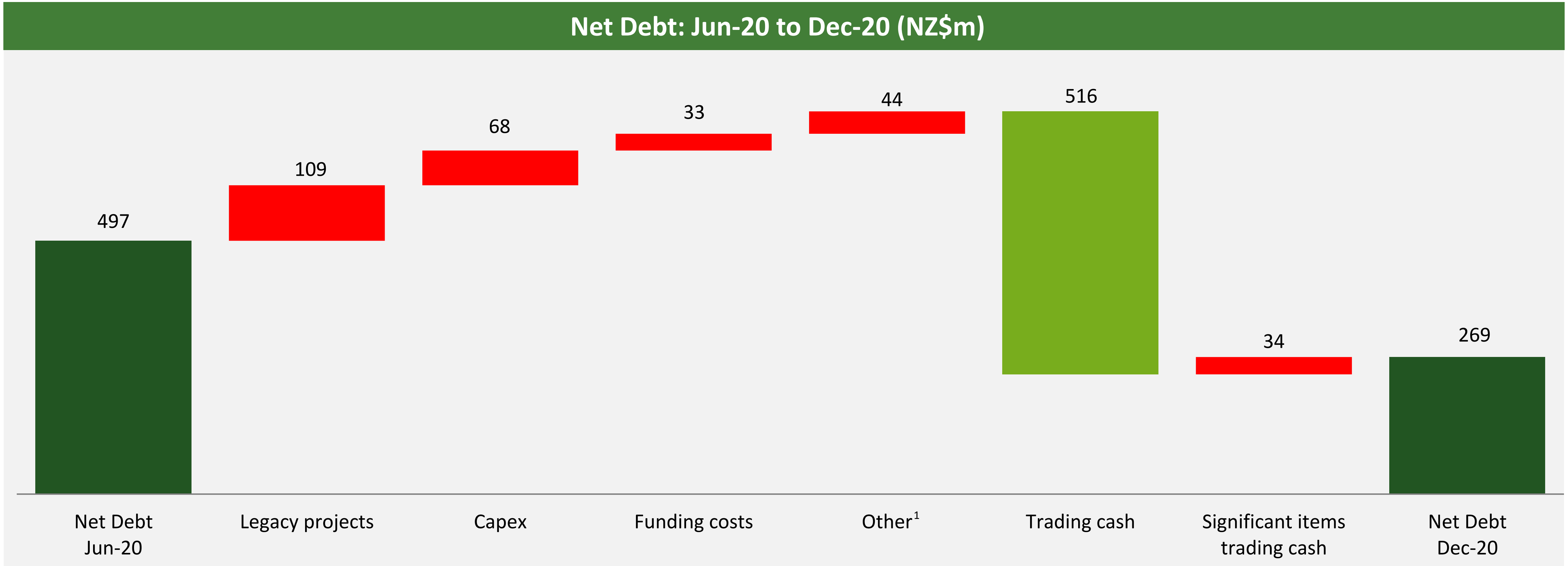
Capital expenditure
Balanced between maintenance and strategic investment

HY21 Capex (NZ$m)	
NZ$m	
NZ Core (ex WWB)	26
WWB	31
Australia	9
Resi, FCC & Corp	16
Total	**82**
Less: Proceeds on disposal of PPE	*(14)*
Net Capex	**68**

- Capex programme focused on maintenance as well as enabling investments for strategy, especially digital, manufacturing efficiency and sustainability
- c70% maintenance / c30% growth in HY21
- FY21 capex c$200m, includes c$50m for WWB plant
- Expect c$200-$250m annual capex ex WWB going forward
- WWB capex remaining: c$220m FY22, c$100m FY23

Net debt

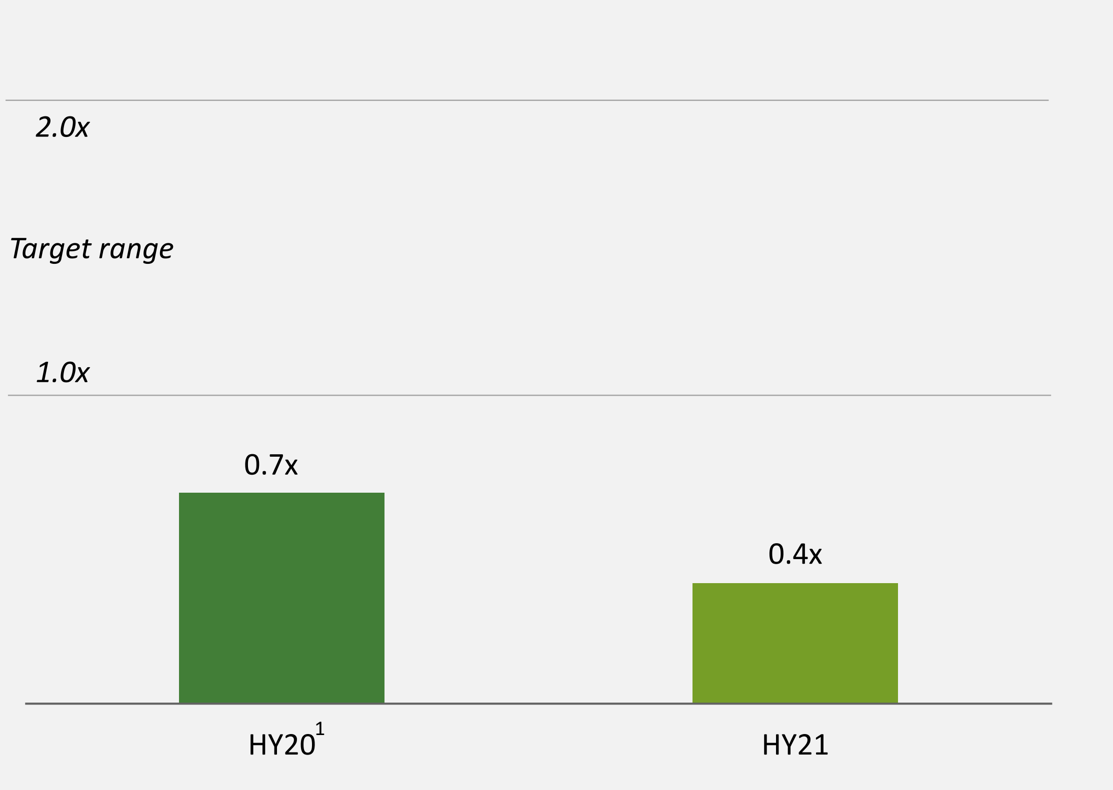
Reduction through strong trading cash flows



[1] Other is comprised of Minority distribution of $27m, Hedging/FX on debt of $8m, repurchase of treasury stock $7m and make whole adjustment of $2m

Leverage
Targeting lower end of 1.0x-2.0x range

Leverage (Net Debt / EBITDA)

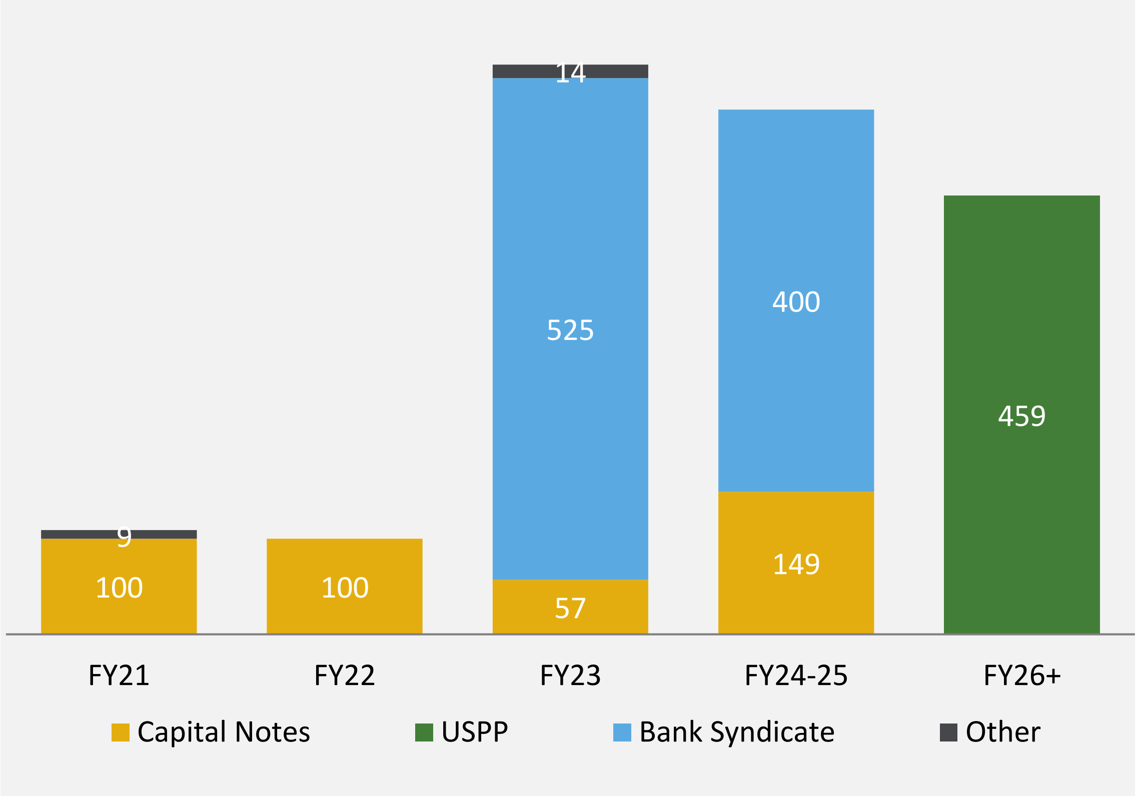


- Leverage ratio (Net Debt / EBITDA) below target range of 1.0x-2.0x following strong cash flow performance
- Expect to move to lower end of target range over FY22-FY23 with remaining investment of c$400m in WWB plant and legacy construction cash flows
- Continued preference for conservative balance sheet metrics

[1] *Due to material impact of FX movements on balance sheet value of debt in recent months, the Group will use hedged value of debt in its leverage calculation – i.e. Net Debt includes impact of CCIRS derivatives. HY20 has been restated for the historic impact of debt hedging on leverage ratio (c0.1x)*

Funding
Strong funding profile and liquidity position

Debt Maturity Profile at Dec-20 (NZ$m)

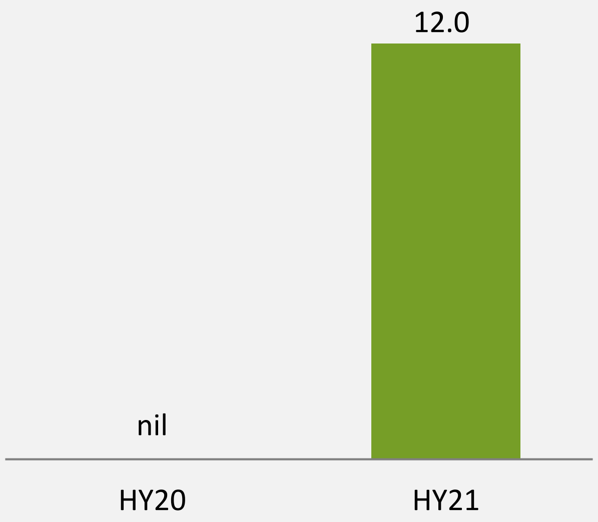


NZ$m	Facilities 31 Dec 20	Drawings 31 Dec 20
Syndicate	925	-
USPP	459	459
Capital Notes	406	406
Other	22	22
Total	**1,812**	**887**

- Undrawn credit lines of $925m and cash on hand of $618m as at 31 Dec-20 – total liquidity of $1.5bn
- $714m gross debt repaid in HY21, including $350m USPP in Jul-20

Dividend
Interim dividend of 12.0 cents per share to be paid in March

Interim dividend (cps)



- Interim Dividend of 12.0 cents per share, to be paid on 24 March 2021
- 50% pay-out ratio[1]
- In Jun-20, FB announced amendments to its banking agreements enabling the Company to rely on more favourable covenant levels from Jun-20 to Dec-21 (inclusive) if required
- The Company agreed that it would not pay a dividend until it returns to compliance with, and agrees to be tested by, its normal covenant levels
- In Feb-21, given the strong HY21 performance and balance sheet, the Company reached an updated agreement with lenders to allow payment of an Interim Dividend and to retain the more favourable covenant levels until Jun-21 (inclusive). Normal covenant levels resume from Jul-21
- Interim Dividend unimputed for NZ taxation purposes and unfranked for AU taxation purposes; Dividend Reinvestment Plan will not be operative for this dividend
- Expect to be in a position to pay a final FY21 dividend

[1] *Pay-out ratio is expressed as a percentage of Net Earnings excluding Significant Items.*

Summary
2.5 years into strategy – on track to deliver financial targets

Cost Reset and Margin

- On track to deliver slightly ahead of targeted $150m gross fixed cost reduction in FY21
- Cost reset driven by headcount, freight, utilities, plant, machinery & vehicles and property consolidation
- Group EBIT margin improved 2.6ppt in HY21
- Continuing to target Group EBIT margin >10% in FY23
- On track to deliver ROFE[1] of 15% in FY21 well ahead of FY23 target

Cash Flow & Capex

- Strong trading cash flows underpinned by margin performance and ongoing working capital management
- Working capital cycle reduced from 82 days to 70 days since Dec-18
- Expect some working capital rebuild in 2H21 in NZ Core, c$25-50m above normal seasonality
- Capex sensibly reduced to c$200m in FY21, while maintaining key investments
- Capex from FY22 expected to be $200-$250m (ex WWB)

Capital Structure

- $1.5b liquidity
- 0.4x leverage ratio, targeting lower end of 1.0x-2.0x range (accounting for WWB and legacy projects)
- Gross debt reduced by $1.1bn since Jun-18
- Funding costs reduced from $157m in FY18 to c$55m in FY21
- Strong tenor in funding lines
- Continued covenant protection to Jun-21
- Interim Dividend of 12.0 cents per share

[1] *Return On Funds Employed*

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Second half FY21 outlook

Market outlook

- Current indicators point to second half core volumes in NZ and Australia remaining at similar levels to those seen in the first half, with robust ongoing demand for residential housing in NZ
- January and early February trading has seen a slightly slower ramp-up post the New Year break
- Managing some supply chain disruption; remains key to meeting market demand
- Market outlook assumes no material impact from COVID-19

Earnings

- FY21 EBIT before significant items expected to be in a range of $610 to $660 million
- Strong first quarter in NZ Core and Residential housing means Group earnings less H2 weighted than previously
- Efficiency benefits broadly steady between H1 and H2
- Key driver within the guidance range will be 2H21 market volumes in NZ and AU core divisions

- Further update on market activity and trading performance will be provided at the investor day in May

Appendix

Divisional revenue exposure and FB revenue by market