



Wednesday 26 October 2022

FLETCHER BUILDING LIMITED
2022 Annual Shareholders' Meeting
Chief Executive Officer's Address

Our vision, purpose and strategic goals continue to underpin the next steps of our journey

Having delivered a strong set of results in FY22 which Bruce just outlined, our sights are now set on continuing to improve our operational performance and growing the topline. This slide summarises on one page what we have been doing to achieve this, and I'll briefly talk to the 5 key areas we remain focused on going forward:

1. We have a belief all injuries are preventable, and we want to get everyone home safely, each and every day;
2. We want to see each business absolutely focused on its customers, making sure the solutions and services that they are offering, are better than what anyone else in the market can achieve;
3. We need to be ever vigilant that we have our costs under control, against both local and global competition. To achieve this we will relentlessly; benchmark, evolve, and invest to ensure we maintain this position;
4. We want the economic performance of each of our businesses, to be in the top quartile of similar businesses globally, not just our local competition;
5. And finally, we need to take advantage of both; our relative scale in New Zealand and Australia, and our distance from the larger Northern Hemisphere markets. This allows us to innovate, and drive sustainability, as a fast follower; and, to disrupt our home markets and ourselves before others do. This done well, should allow us to readily achieve above market growth across all of our business lines.

"Improving the world around us through smart thinking simply delivered"

In going after growth in our revenue and profits, it's important that we make sure we stay true to our purpose: *"Improving the world around us through smart thinking simply delivered"*.

We measure our progress against this commitment across a number of areas:

1. Ensuring our workplace is safe, diverse, and inclusive;
2. Putting our community at the heart of what we do;
3. Moving progressively to achieve a net positive impact on the environment;
4. Looking to sell only "sustainable" building products & solutions;
5. And, embedding "circular economy" principles, across all our businesses.

I'll now talk to each of these areas in a bit more detail.



Safe, diverse & inclusive workplace

We want the make up of our business to reflect the communities we operate in, and for our people to be able to bring their “whole selves” to work each day; and importantly return home safely at the end of that day.

- We are making good progress on safety with 90% of our sites injury free last year;
- We have set gender targets in management goals, and are starting to see year on year improvements in the number of women generally, and importantly those in leadership roles;
- We are ensuring; our facilities, our policies, the forums we run, and the way we behave, support and foster a diverse and inclusive organisation and culture.

And pleasingly, while there remains much to do, we are seeing our overall employee engagement scores increasing off the back of this work.

Our community at the heart of what we do

As a large business in our sector, we touch many customers and communities around New Zealand, Australia and the South Pacific. Doing great things for our customers is clearly aligned with our business. But equally important is how we support, and enhance the communities where we operate. We are very active across both these areas.

For our customers;

- We're providing digital tools to better support them in their business;
- Driving leading ecommerce and online sales options;
- Focusing on providing better stock and service levels than our competition;
- And constantly bringing innovations and smart ideas to them.

We measure our performance constantly, and are looking to get all of our businesses to world class levels in the coming years.

Across our communities we do many things; both broadly, and at the local level:

- Our larger programs are focused around educational sponsorships and support;
- And all our businesses are active at their local level, and quite often working with our suppliers and customers, on specific things that matter to those communities.

Through FY22 these activities resulted in donations and sponsorships totalling around \$3 million.

Net positive environmental impact

We are absolutely convinced that good business has to be good for the environment, and we are committed to both achieving this ourselves, and doing what we can to influence the broader sector.



Our carbon emissions; are now down 12% on our 2018 levels, we have detailed plans on getting to a 30% reduction by 2030, and we are committed to net zero by 2050.

We're achieving this, through many technology innovations and plant upgrades, but also, through the clever reuse of waste streams that would otherwise go to landfill - For example, we have substituted 50% of the coal we use at Golden Bay with waste tyres and waste wood.

We are also focused on maintaining or improving biodiversity at and around; our quarry operations, and our larger residential development projects – we have found that these types of operations can be done sustainably.

There is work to do over the coming years to define our targets and pathway to achieve “a net positive environmental impact” – but we're convinced it's absolutely do-able.

Leading the way in sustainable building products & solutions

Innovation in products and solutions are increasingly intertwined with sustainability, and we expect that trend to increase. Interestingly this is generally not coming at additional cost – sustainable products are progressively replacing the older products at the same or a lower cost point. We're very well positioned to both take advantage of this and drive it within our industry. Already 61% of our revenue comes from sustainably certified products and we expect this to be above 75% in 3 years' time. And we are actively looking at how we drive and introduce sustainable solutions. A good example is our LowCO home which has been designed to operate through its life to limit global warming to less than a 1.5 degree increase in temperatures.

Circular economy commitment across our business

And the final piece of the puzzle, is to consciously eliminate waste across our operations, and to create ways to reuse both our own and others “end of life” products. As of last year we have diverted 51% of our waste from landfill, and expect that to be above 70% in 3 years time. We are making equally strong progress in our “circular economy” commitment, with many exciting examples now emerging:

- We have diverted 80,000t of other people's waste from landfill at GBC, and our ambition is to double this by 2030 and become 100% coal free;
- Our insulation and plastic pipes businesses, already extensively use, both recycled product, and general recycled plastics and glass;
- And our plasterboard operation will be able to use recycled plasterboard when the new plant at Tauriko opens next year.

While I am the first to admit that much remains to be done, we are well on the path of driving both; strong financial returns and growth, while at the same time living up to our promise “*to improve the world around us, through smart thinking simply delivered*”.



Trading update and outlook

Turning now to a trading update and the outlook for FY23. Trading in the products and distribution divisions across New Zealand and Australia remains in line with expectations, and customer indicators point to volumes remaining at or around current levels for the balance of FY23. We are watching lead indicators closely and we have a clear playbook if activity shows any signs of softening in the next six to nine months.

In our Residential and Development division, house prices and margins are in line with expectations, and are running at around 10% below the peak levels reached in December 2021. House sales volumes have been mixed; solid through July and August, softer in September, but customer visitation levels have been picking up positively into the spring sales season.

Group earnings and cash flows are expected to be weighted to the second half of FY23, this is due to the timing of revenues and working capital builds in the Residential and Development and Construction divisions.

And finally, we reconfirm our FY23 EBIT target, of \$855 million or better.

Our strategy positions us well to drive shareholder value in the short- and long-term

When we look at our strategy, we remain confident we are well-positioned to drive shareholder value, both in the short and longer term.

1. We expect to see solid profit growth in FY23;
2. We continue to have, both plans and runway, to drive further margin improvements above what we are achieving now;
3. We have an established pipeline of growth opportunities, that will start to mature over the next 3 years;
4. Our balance sheet and financial position is strong, and we intend to keep it that way;
5. And, we remain ready to act if we see demand starting to ease in the next six to nine months.

Before I hand back to Bruce, I'd like to thank our people for their commitment and resilience during what has been a very demanding couple of years. It is through their efforts that we have been able to get Fletcher Building to a place where we can now focus on the many exciting opportunities that are in front of us.

And, I would also like to acknowledge all our customers, and thank you our shareholders, for your ongoing support.

Tēnā koutou, tēnā koutou, tēnā koutou katoa

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