



# **Fletcher**Building

## An Overview

March 2002

# Fletcher Building



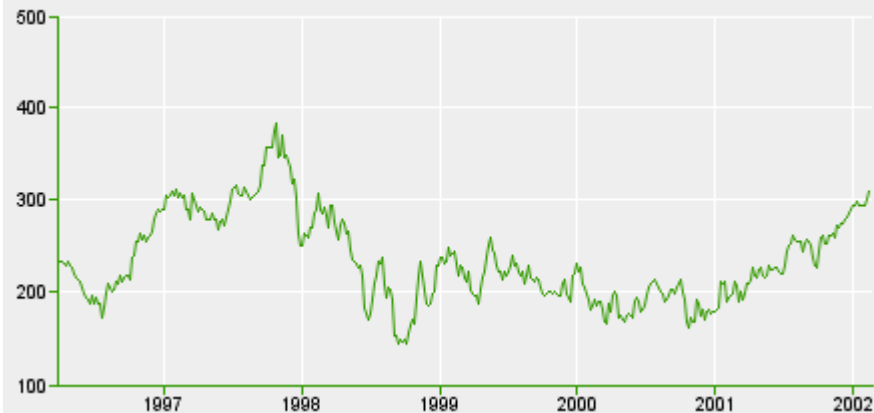
- One of New Zealand's top industrial companies with a history going back to the early 1900's
- The leader in the NZ building industry
- NZ\$2,500+ million revenue; \$1,000 million market capitalisation
- FBU is listed on NZSE, ASX, NYSE
- Strong market shares in all its building sectors
- Full information on [www.fletcherbuilding.co.nz](http://www.fletcherbuilding.co.nz)

# History

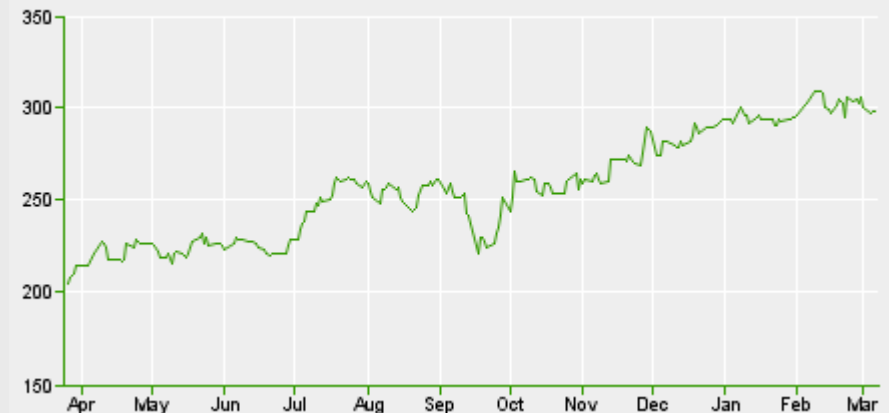


- Fletcher Building was part of the Fletcher Challenge Limited group, a Fortune 500 company, until March 2001
- It existed as a targeted share from 22 March 1996 to March 2001
- Fletcher Building became a standalone company as part of the breakup of the Fletcher Challenge Group, commencing existence on 24 March 2001
- Share price performance has improved considerably since that time:

SHARE PRICE FROM 01.04.96 - 15.02.02



SHARE PRICE FROM 26.03.01 - 06.03.02



# Market Share



- Well-established positions in New Zealand key building sectors:
  - cement 51%
  - readymix concrete & concrete products 35-75%
  - construction - the contractor of choice in NZ
  - plasterboard 94%
  - wood panels
    - MDF 35%
    - LPM 52%
    - Particleboard 70%
  - roofing 40%
  - aluminium extrusion and powdercoating 35%
  - steel manufacture and distribution significant
  - building material trade and retail distribution 35%

# Unique Product Price Formula



**The basic formula** - importantly for steel, cement, plasterboard

Domestic NZ prices equate to regional prices plus:

- any anti-dumping penalty
- logistics costs to New Zealand
- domestic service premium

# Key Value Drivers

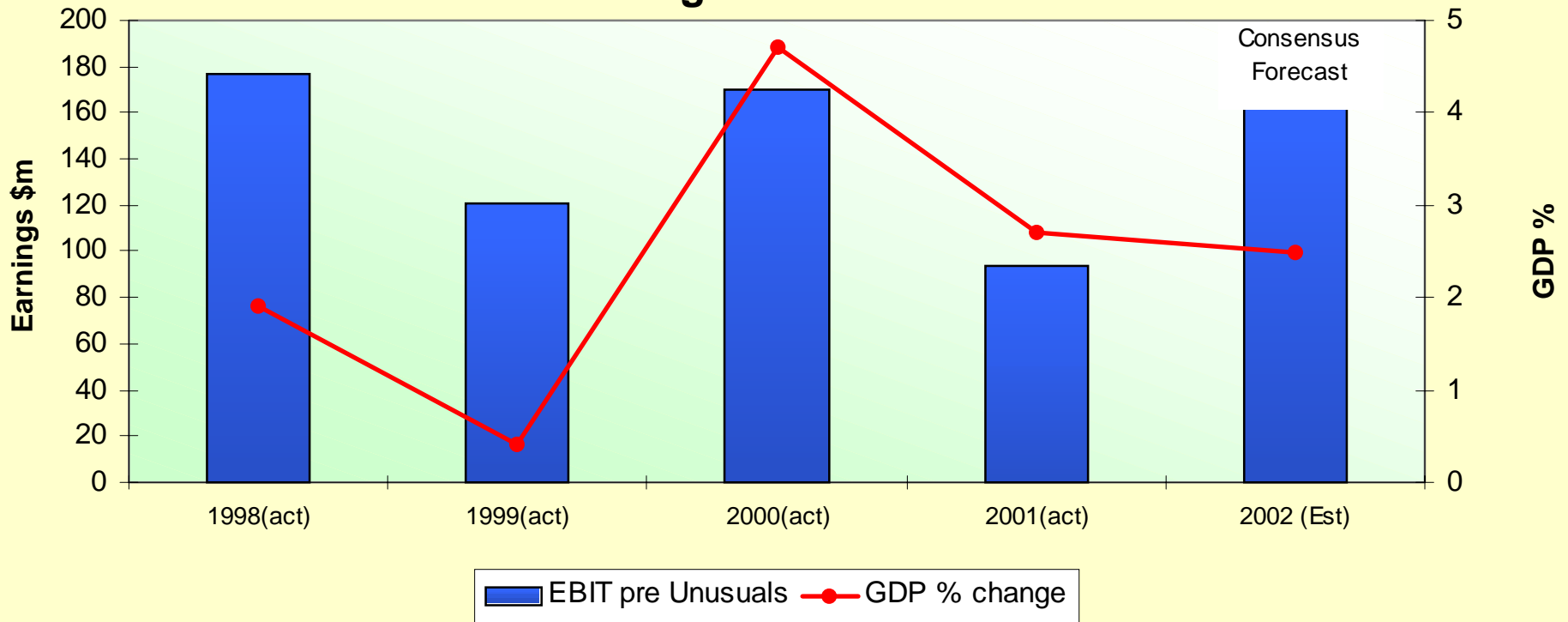


- New Zealand economic cycle
- Vertically integrated business units
- Cost reduction and productivity enhancement initiatives
- Australasian growth

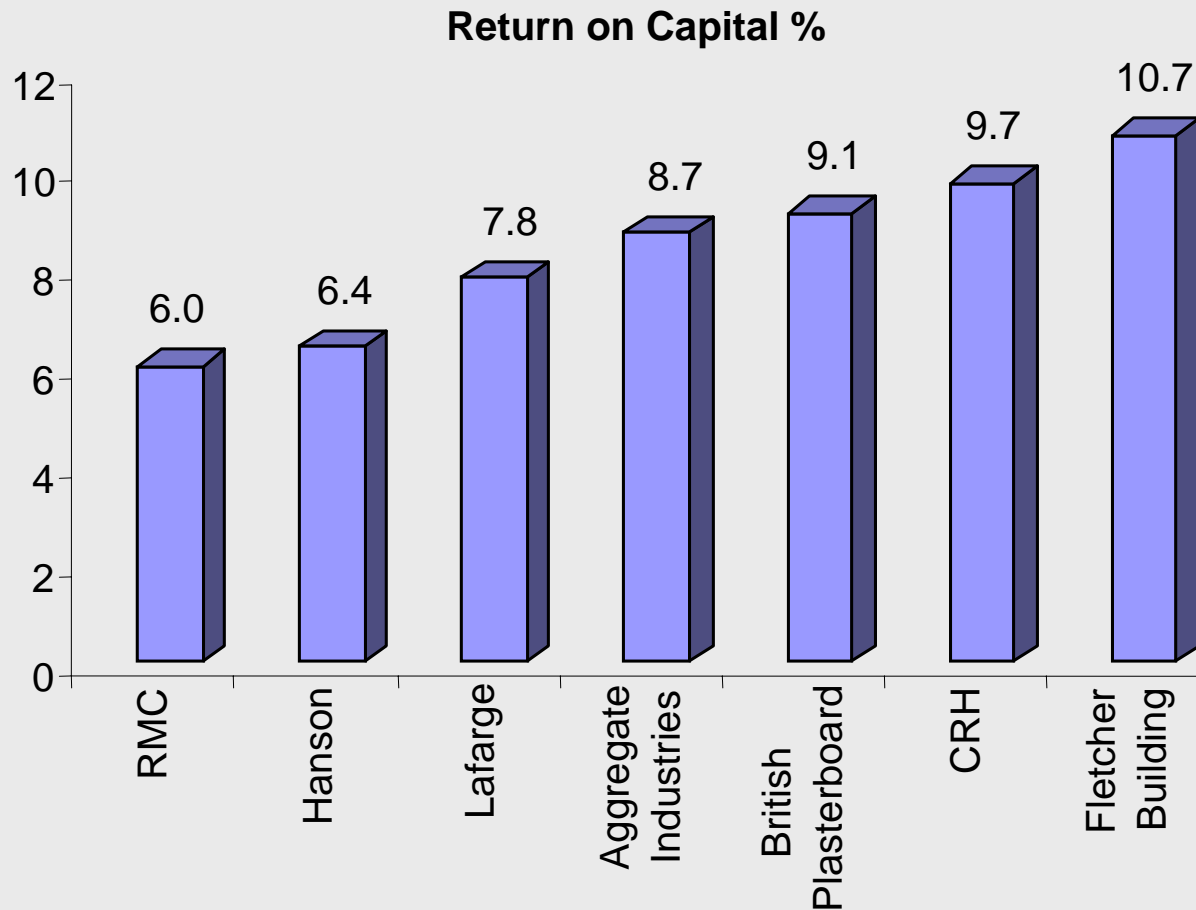
# Earnings & NZ GDP Growth



## Earnings & GDP Growth



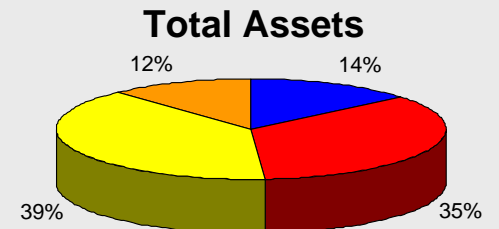
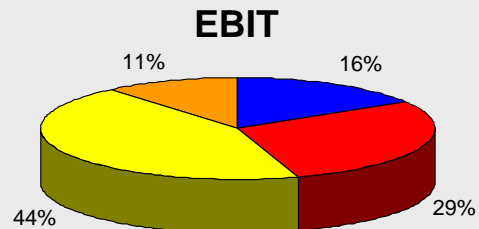
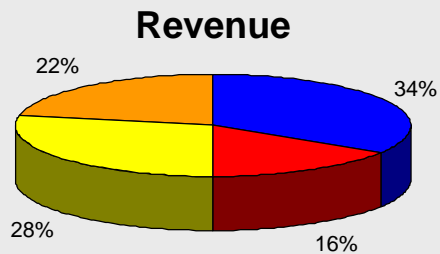
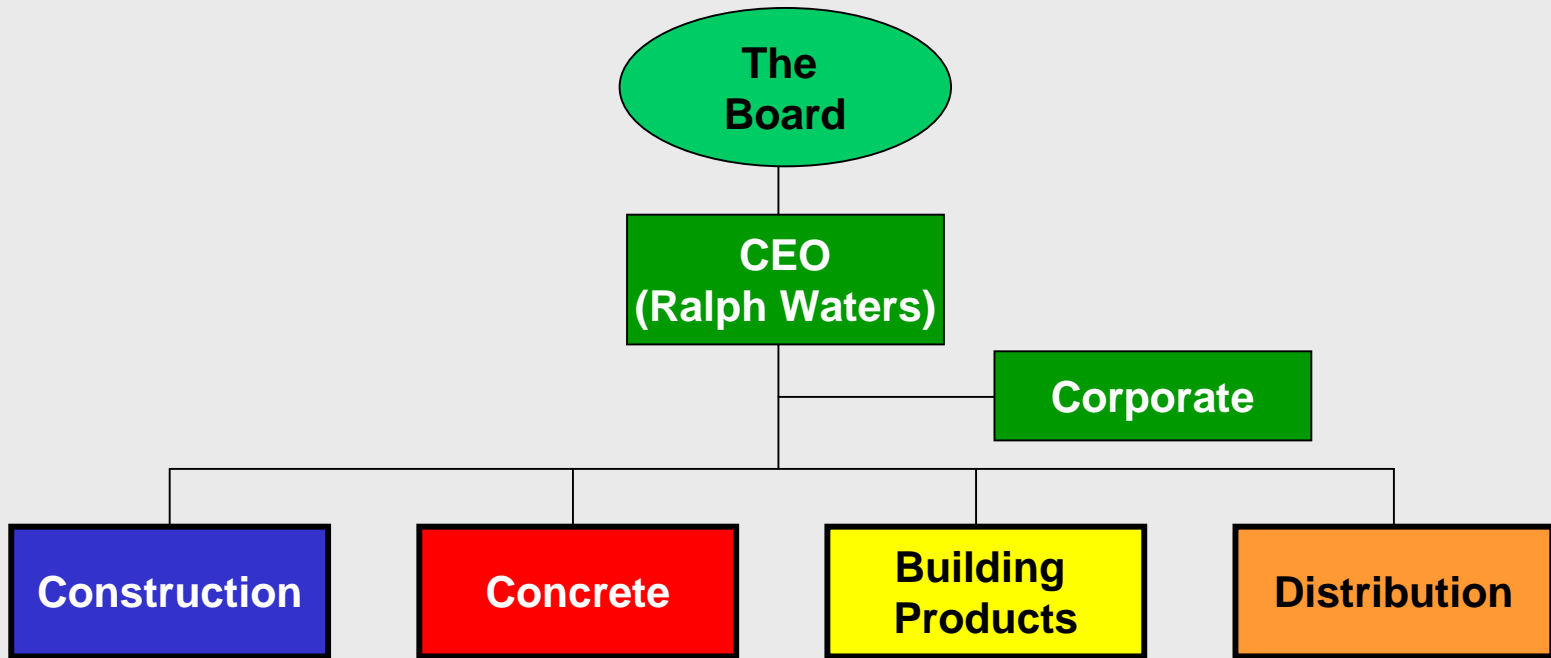
# Comparable Return on Capital



- Note:
1. Comparative data from JP Morgan Feb 4 2002 Research Report and based on 2002E data.
  2. Fletcher data based on 31 Dec 2001 accounts annualised
  3. Calculation is NOPAT over Average Capital Invested



# Organisation



# Building Products



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# Building Products



- Sole NZ producer of plasterboard (94% share)
- MDF particleboard & decorative board manufacture; doors and mouldings
- Furniture & joinery distribution
- Aluminium extrusion: window & door systems
- One of two NZ suppliers of painted steel coils
- Roll forming manufacturing: roofing & structural components
- Steel manufacturing: 200,000tpa from recycled product
- Wire manufacturing
- Steel supply and distribution
- Steel reinforcing bar manufacture



# Construction



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# Construction



## **FLETCHER CONSTRUCTION**

- Major contractor of choice in NZ & South Pacific
- Commercial, industrial and engineering
- Extensive portfolio of completed projects; established in early 1900's
- General contractor on many recent NZ landmark projects:
  - Sky Tower
  - Auckland Hospital
  - Manukau Waste Water Treatment Plant



## **FLETCHER RESIDENTIAL**

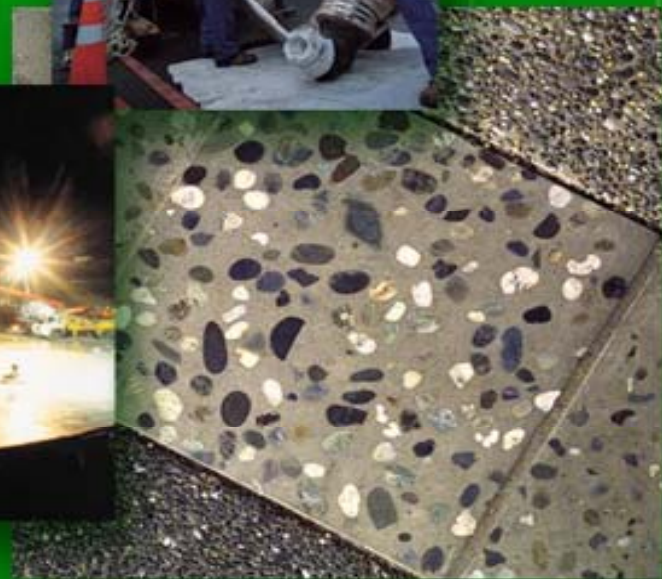
- Domestic residential builder
- Consolidating to the high growth Auckland market

Product pull through from other FB businesses

# Concrete



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# Concrete



- One of two domestic cement producers: 600 ktpa



- Leading position in ready mix and concrete products



- Specialist piping products: concrete and plastic, for infrastructure and irrigation



- Leading provider of roading related steel applications: piping, road barriers, poles



- Leading national aggregates supplier



- Stressed concrete products supply

# Distribution



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# Distribution



- Leading domestic building materials supplier (trade emphasis); 50 stores nationally



- Low cost building supplies retail outlet



- “Hire a Hubby” franchise business

# Current Strategies



- **Portfolio Management**
  - concentration to fewer higher return businesses
- **Grow in New Zealand**
  - support core businesses and grow where opportunities arise
- **Evaluate Australian Expansion**
  - provide path for future growth

# Net Earnings



	Year Ended 30 June				Six Months	
	1998	1999	2000	2001	Dec 2000	Dec 2001
NZ\$millions						
EBIT Including Unusuals	177	72	127	-87	-19	84
Funding Costs	-44	-35	-34	-36	-19	-15
Earnings Before Tax	133	37	93	-123	-38	69
Taxation	1	-16	-31	-148	-3	-25
Earnings After Tax	134	21	62	-271	-41	44
Minority Interest	2	3	1	-1		-3
Equity Earnings	-2	-1				
<b>Net Earnings</b>	<b>134</b>	<b>23</b>	<b>63</b>	<b>-272</b>	<b>-41</b>	<b>41</b>
Net Earnings per Share (cents)	37.1	2.5	14.5	-83.7	-14	9.6
Net Assets per Share (NZ\$)	2.41	2.22	2.27	1.56	2.02	1.61

# EBIT Composition



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NZ\$millions	Year Ended 30 June				Six Months	
	1998	1999	2000	2001	Dec	Dec
Operating Earnings (EBIT) <i>(pre unusualls)</i>						
Building Products	81	42	89	58	35	36
Concrete	78	59	54	31	8	24
Construction	14	18	18	5	-5	13
Distribution	7	4	8	6	1	9
Corporate	-3	-2	1	-6	-2	-4
EBIT Total	177	121	170	94	37	78
Unusual Items		-49	-43	-181	-56	6
EBIT including Unusualls	177	72	127	-87	-19	84

# Statement of Cashflows



NZ\$millions	Year Ended 30 June				Six Months	
	1998	1999	2000	2001	Dec 2000	Dec 2001
Cashflow from Operations	203	142	172	96	42	105
Net Working Capital Movements	-81	-3	-39	155	-5	-49
Net Cash from Operating Activities	122	139	133	251	37	56
Sale of Assets	73	78	30	31	3	12
Capital Expenditure	-166	-117	-115	-146	-58	-20
Free Cashflow	29	100	48	136	-18	48
Dividends and Distributions	-60	-60	-70	-77	-39	-33
Sale of Tax Benefits				99	60	
Net Cashflow	-31	40	-22	158	3	15

# Financial Strength



NZ\$millions	Year Ended 30 June				Six Months	
	1998	1999	2000	2001	Dec	Dec
Debt to Total Capitalisation	34.3%	32.4%	33.4%	25.8%	31.6%	26.5%
Interest Coverage (times) (1)	5.9	5.9	7.5	5.1	4.2	8.2
Return on Funds Employed (2)	15%	12%	16%	10%	7%	16%
Return on Equity (3)	17%	1%	6%	-44%	-13%	12%

(1) EBITDA pre unusual items/gross interest

(2) EBIT pre unusualls/(net debt-deferred tax assets + equity + capital notes)

(3) Net earnings after net capital notes interest / (average total equity excl minority interests and capital notes)

# Financial Position



	Year Ended 30 June				Six Months	
					Dec	Dec
NZ\$millions	1998	1999	2000	2001	2000	2001
Equity incl Minority Interest	808	733	778	540	697	584
Capital Funds	197	205	191	250	241	230
Total Equity and Cap Funds	1005	938	969	790	938	814
Net Interest Bearing Liabilities	525	449	485	274	433	293
Total Funds Usage	1530	1387	1454	1064	1371	1107
Debt: Total Capitalisation %	34.3%	32.4%	33.4%	25.8%	31.6%	26.5%