

# **Fletcher**Building

**NZSE Australian Financial Media Briefing  
26 November 2002**

**Ralph Waters  
Chief Executive Officer**

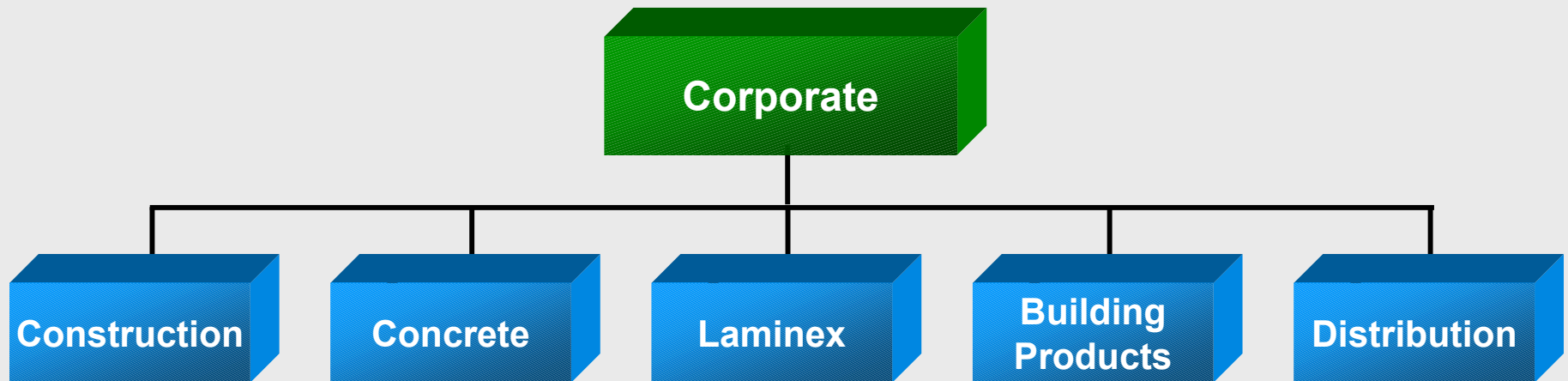


- One of New Zealand's top industrial companies with a history going back to the early 1900's
- The leader in the NZ building industry
- NZ\$3.7 billion revenue; NZ\$1.3 billion market capitalisation
- FBU is listed on NZSE and ASX
- Strong market shares in all its building sectors
- Full information on [www.fletcherbuilding.co.nz](http://www.fletcherbuilding.co.nz)

# The Business



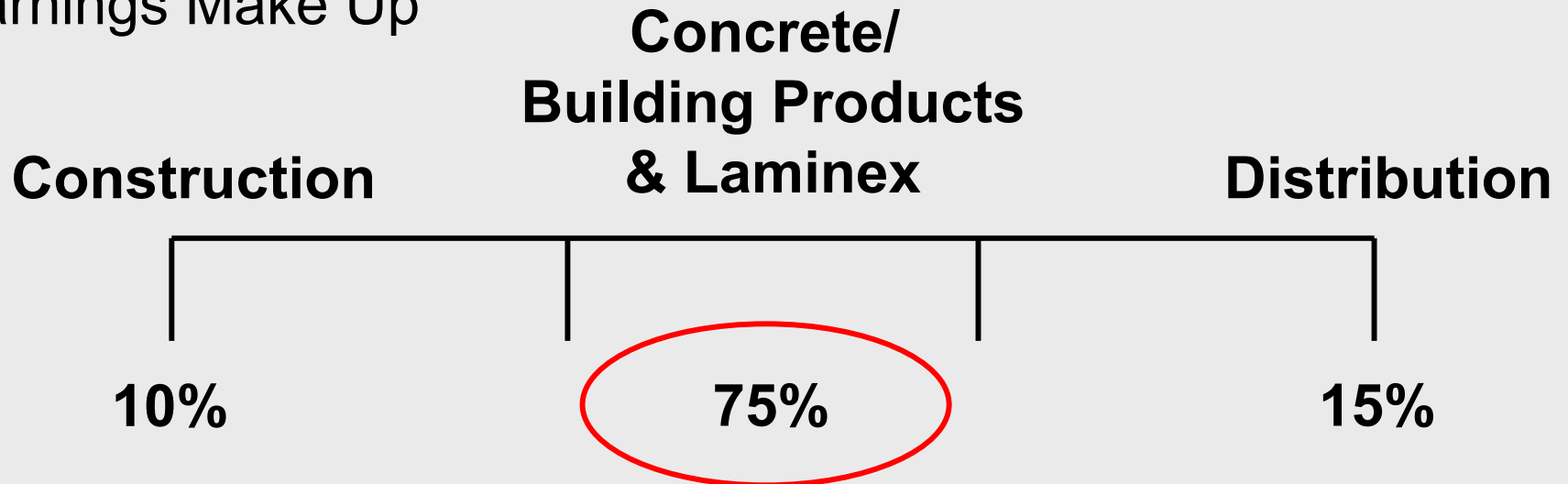
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# What is Fletcher Building?



Earnings Make Up



- Not a construction company
- Not a distribution business
- A **building materials manufacturer** with two special channels to market

# Why Like This?



- NZ market size too small for normal distribution methods and thus PlaceMakers - a composite distributor for FB and others
- Construction is an important channel that also
  - has high returns
  - maximises FB share of materials
  - is defensive against imported materials
- Laminex reduces the over-reliance on New Zealand for earnings

# Concrete



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- One of two domestic cement producers: 600 ktpa  
(50% share)



- Leading position in ready mix and concrete products  
(33% share)



- Leading national aggregates supplier  
(25% share)



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



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



- Stressed concrete products supply

# Building Products



Winstone Wallboards Ltd



Dimond



FLETCHER EASYSTEEL



- 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

# Distribution



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Over \$700m revenue through:



- Leading domestic building materials supplier (trade emphasis); 51 stores nationally  
45 are joint ventures



- Low cost building supplies retail outlet;  
12 stores nationally



- “Hire a Hubby” franchise business





## **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
  - Manapouri Tunnel



## **FLETCHER RESIDENTIAL**

- Domestic residential builder
- Focused on the Auckland market
- 500+ houses per annum

Product pull through from other FB businesses

# Operating Earnings



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NZ\$millions	12 Months	
	June 2002	June 2001
<b>Operating Earnings (EBIT)</b>		
Building Products	85	58
Concrete	60	31
Construction	30	5
Distribution	34	18 *
Corporate	-4	-6
<b>EBIT Total Pre Unusuals</b>	<b>205</b>	106
Unusual Items	5	-181
Restatement for Distribution		-12 *
Interest	-51	-36
Taxation	-54	-148
Minority Interest	-12	-1
<b>Net Earnings</b>	<b>93</b>	-272

\* Restated for consolidation of PlaceMakers

# Returns



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NZ\$millions	<b>June 2002</b>
Return on Funds Employed <sup>(1)</sup>	23%
Return on Equity <sup>(2)</sup>	17%

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

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

# Financial Position



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NZ\$millions	<b>June 2002</b>	<b>Proforma Including Laminex June 2002</b>
Equity incl Minority Interest	591	720
Capital Funds	<u>230</u>	<u>380</u>
Total Equity and Cap Funds	821	1100
Net Interest Bearing Liabilities	<u>168</u>	<u>617</u>
Total Funds Usage	<u>989</u>	<u>1717</u>
Gearing %	40%	58%



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

# Australian Expansion / Criteria



- No adverse competitive response
- Leading market position (No.1 or No.2 in sector)
- Good industry structure and sustainable market position
- Capable local management
- Attractive financial parameters and strong cash flow generation

**Laminex Industries fully satisfies these  
acquisition criteria**

# Laminex provides...



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- A scale entry to Australia, in a favourable industry structure
- Leading market position with strong “icon” brands
- Capable management team
- Synergies from integration with existing FBU panels manufacturing & distribution, and fixed cost efficiencies
- Larger and diversified earnings base

# Transaction Overview



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- Purchase price is A\$645m (NZ\$750m), with contingent payment up to A\$20m, based on Laminex FY03 EBITDA performance
- Financing
  - Equity placement of 43.7 million shares which raised approximately NZ\$129 million
  - Debt to include NZ\$150 million of Capital Notes
- Acquisition expected to be eps positive (pre and post goodwill) within first year



# Laminex Overview



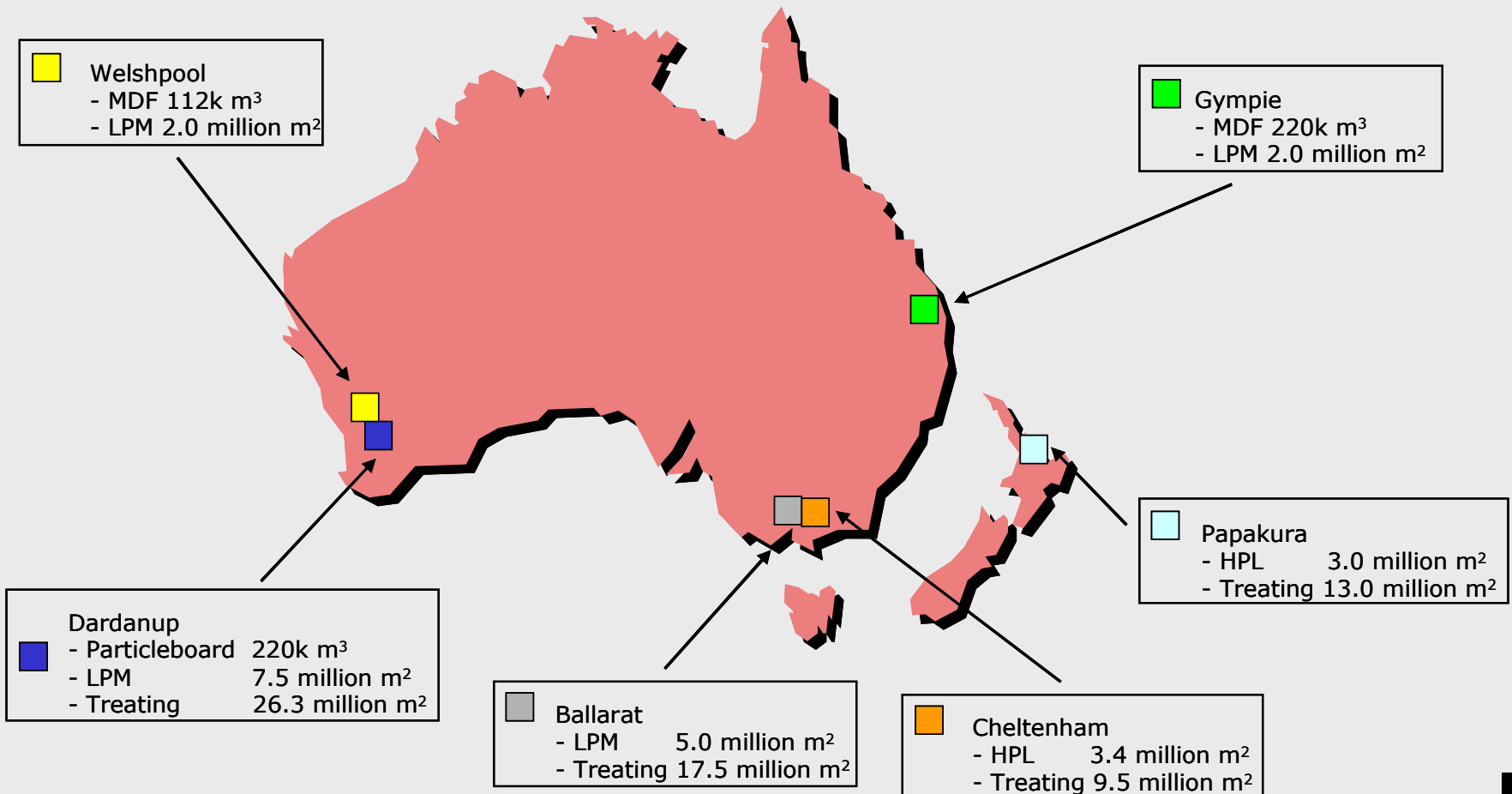
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- **Leading producer, distributor and marketer of premium decorated boards in Australia and New Zealand**
- **Six production facilities providing operational efficiency and flexibility**
- **50% interest in two joint ventures in West Australia**
  - Wespine (sawmill), DIWA (resin manufacture)
- **Dedicated distribution network strengthens competitive position**
  - 30 Service Centres and 13 other distribution points in Australia
  - FBU's "Scott Panel & Hardware" chain is New Zealand's exclusive distributor of Laminex and one of the major distributors of Formica

# Laminex – Key Facilities



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# Fletcher Wood Panels



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**Fletcher Wood Panels**  
- Annual revenue c \$200m

**FWP Kumeu**  
Particleboard mfg  
Particleboard flooring mfg

**FWP Christchurch**  
MDF Mouldings

**FWP Penrose**  
Plyco Doors  
Hardboard mfg

**FWP Hamilton**  
LPM  
Decorating

**FWP Taupo**  
MDF mfg  
Particleboard mfg

**Scott Panel & Hardware**  
- 13 branches  
- Annual revenue c \$100m



## Years ended 30 June

<b>A\$million</b>	<b>2000(A)</b>	<b>2001(A)</b>	<b>2002(A)</b>
Sales	380.1	438.0	608.1
EBITDA (before unusuals)	67.7	64.1	88.1
EBIT (before unusuals)	50.3	40.3	57.6
Capex	17.0	10.0	21.0

### Notes:

1. Wesfi acquired by Laminex in February 2001 for A\$193 million
2. FY01 result adversely impacted by lower activity following Sydney Olympics and introduction of GST
3. FY02 includes part year benefits of synergies and December price rise

# Total Shareholder Return



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TSR on FBU shares from 26 Mar 2001 to 19 Nov 2002:  
**70.1%**

FBU share price movement over the same period:  
**47.7%** (\$2.20 to \$3.25)

NZSE40 TSR over the same period:  
**4.9%**

Source: NZSE data

Key assumptions in calculating gross returns include:

- The value of imputation credits or DWP credits is included at 100% of face value
- Dividends are assumed to be re-invested in FBU shares at the ex-dividend price

# Fletcher Building Dividends



- Pay out around 60% of NPAT
- Full NZ tax credits attached to the dividend
- Dividend withholding payment credit means that for non-NZ holders they have an ex NZ cash return of 85% of the aggregate of the cash dividend and the tax credit (i.e. 6c/share dividend gives 7.6c/share cash return)

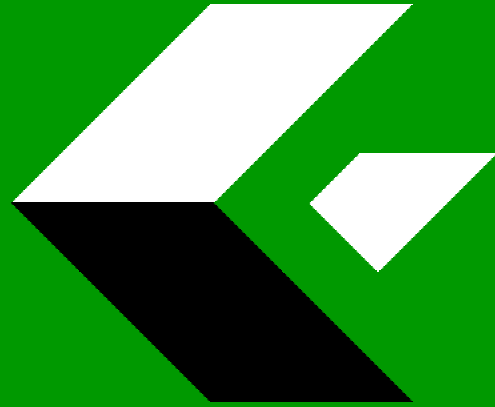
# Outlook for Fletcher Building



- | <b>EBIT</b> | <b>2001</b> | <b>2002</b> |
|-------------|-------------|-------------|
|             | \$106m      | \$205m      |

Further improvement on strong 2002 result in 2003

- First half EBIT around \$140m excluding Laminex  
– 80% up on prior year



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