

November 2004



**FletcherBuilding**

**Ralph Waters**  
**Chief Executive Officer**

# 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
- ❑ FBU is listed on NZX and ASX
- ❑ Strong market shares in all its building sectors
- ❑ Full information on [www.fletcherbuilding.co.nz](http://www.fletcherbuilding.co.nz)

# Company Dimensions

**Revenue:** NZ\$4.25 billion

**Market cap:** NZ\$2.45 billion No.4 on NZX

**Employees:** 11,000

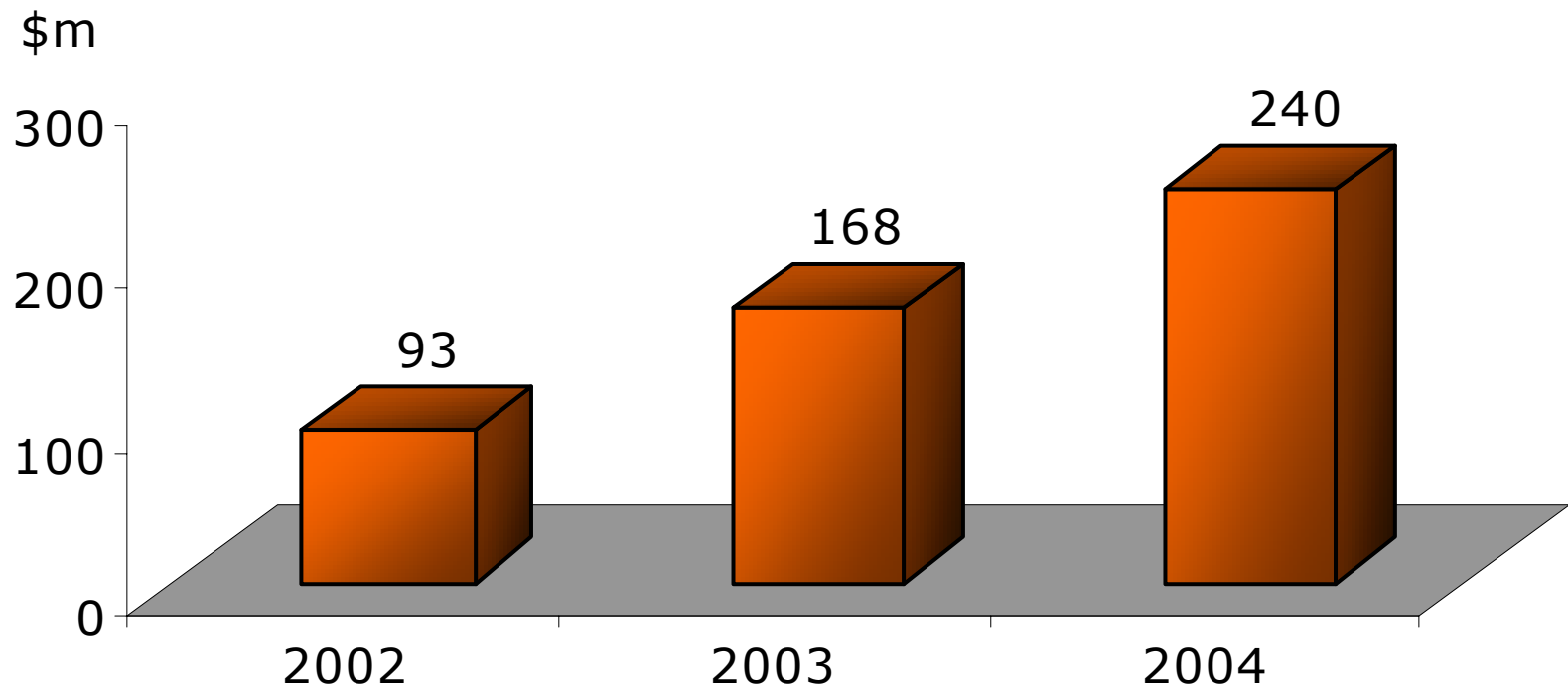
**Shares:** 442 million  
Daily average turnover  $\approx$  1,500,000

**Shareholders:**

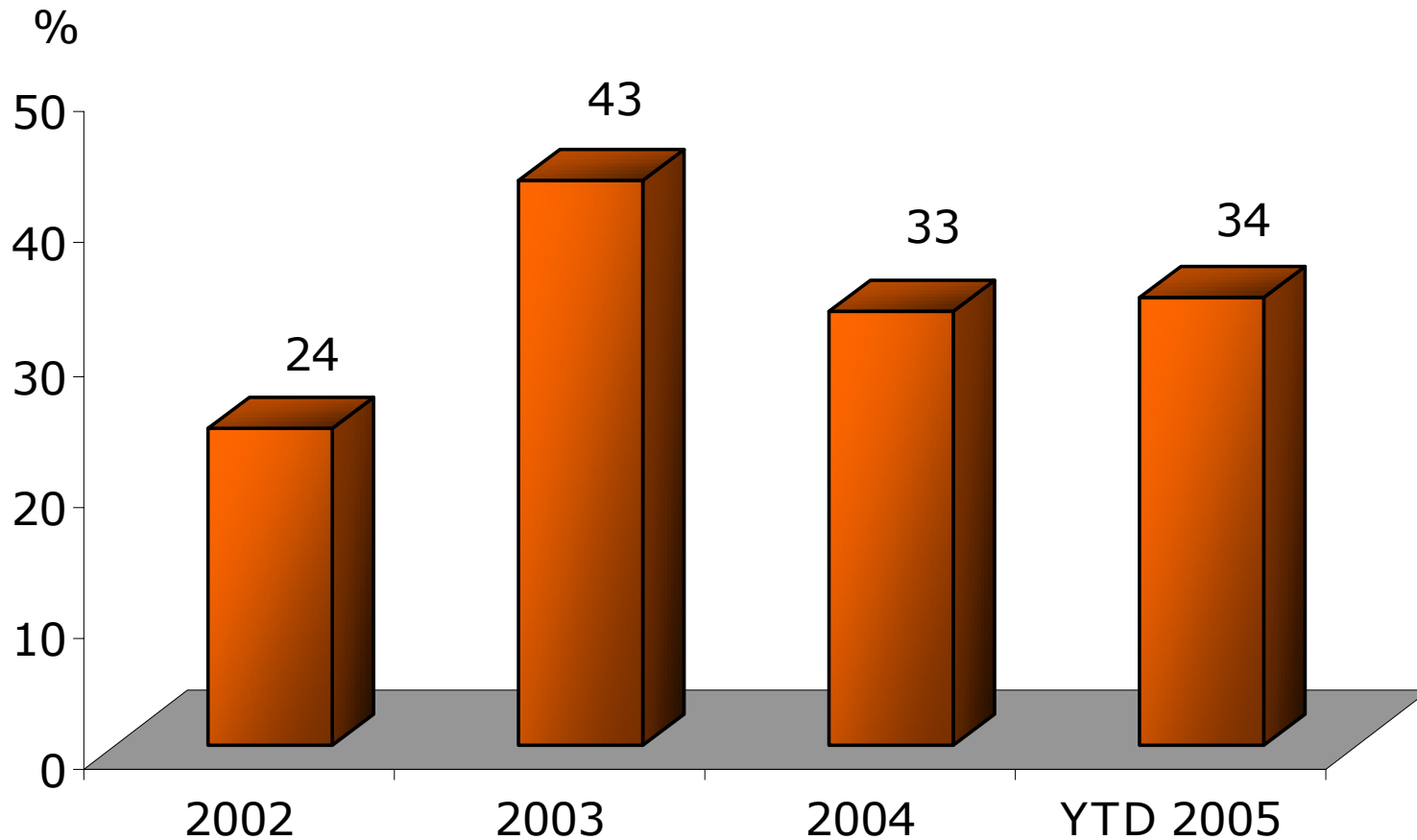
NZ	47%
Aust	30%
USA	13%
Other	10%

# Earnings

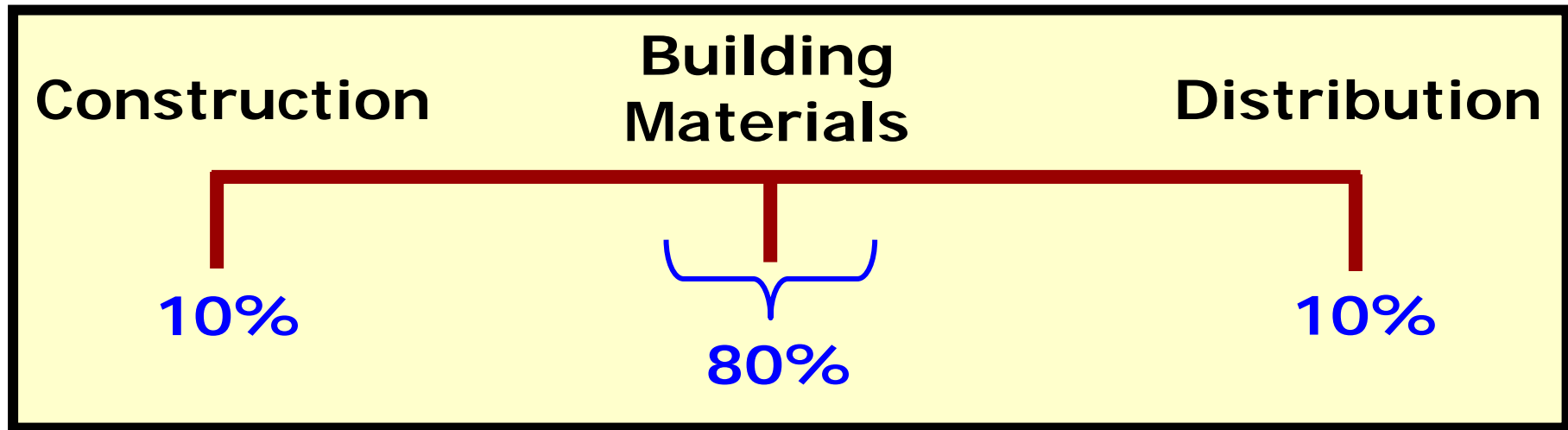
## After Tax Earnings



# Total Shareholder Return

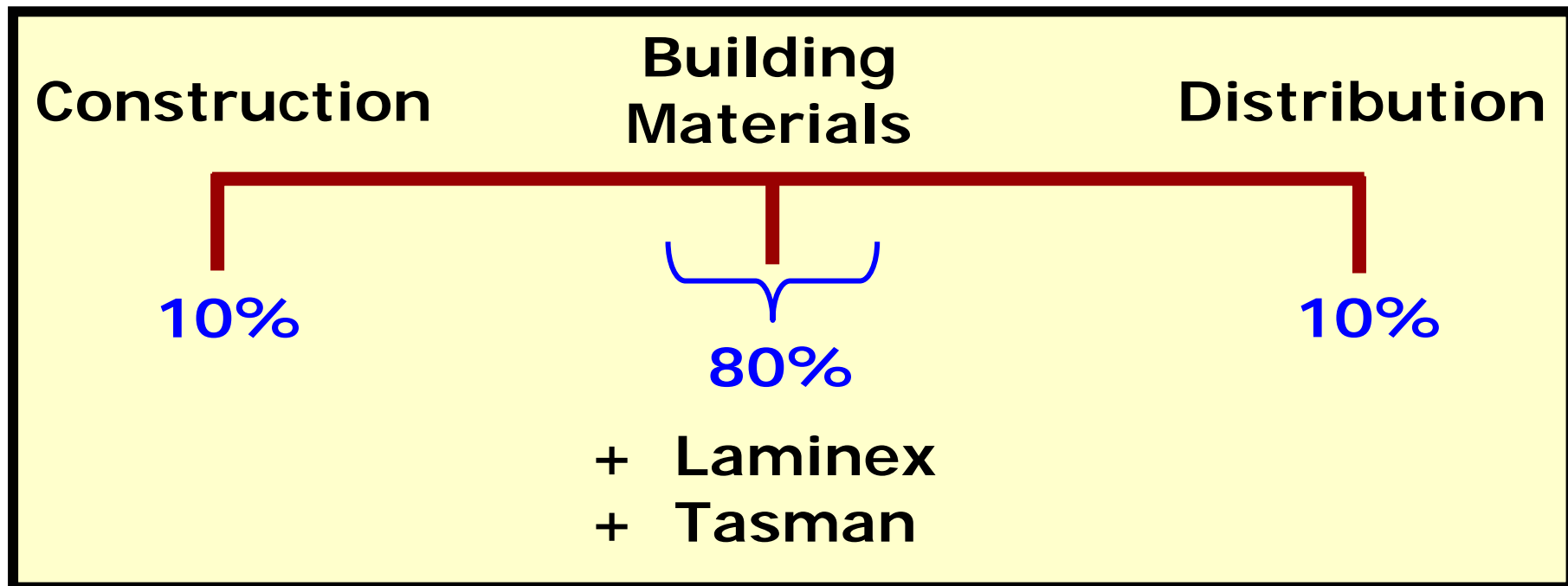


# What is Fletcher Building?



- Not a construction company
- Not a distribution business
- A building materials manufacturer which controls its channels to market

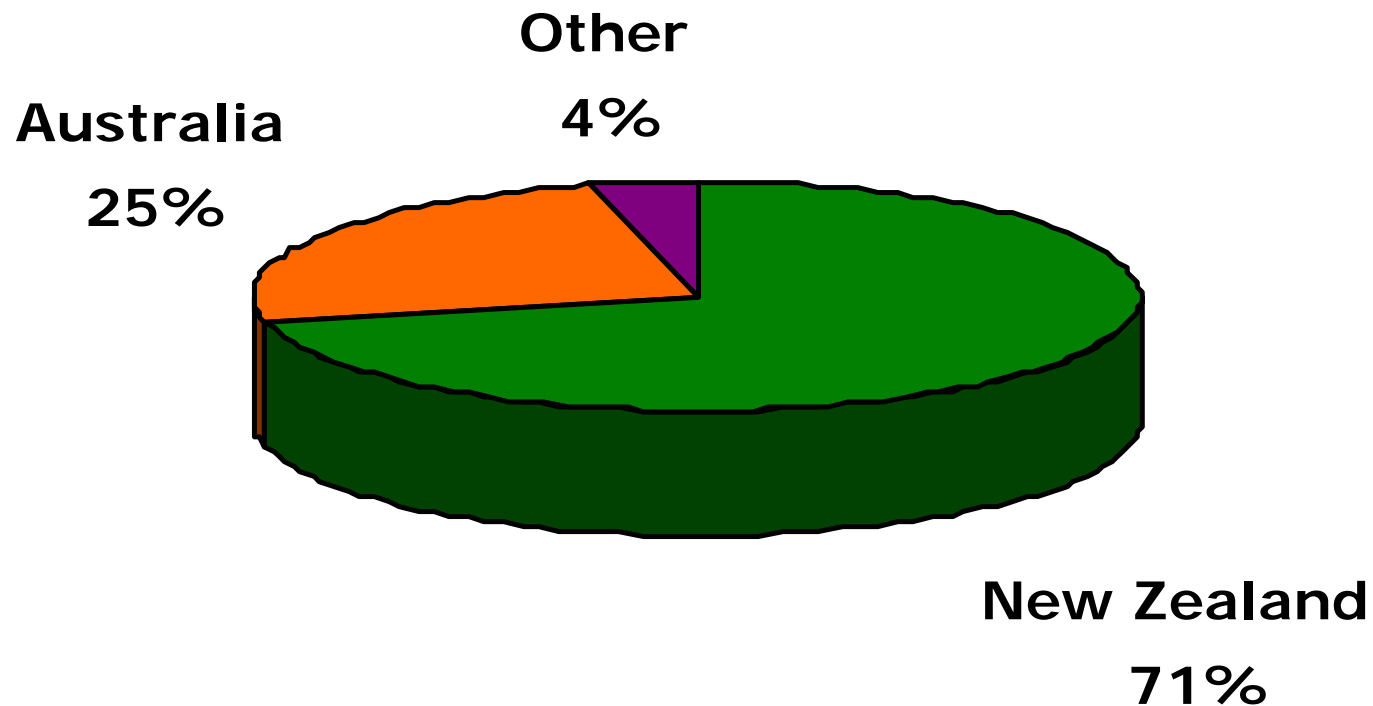
# Earnings Reliability



- Geographic & economic diversification
- New growth opportunities
- Established acquisition credentials

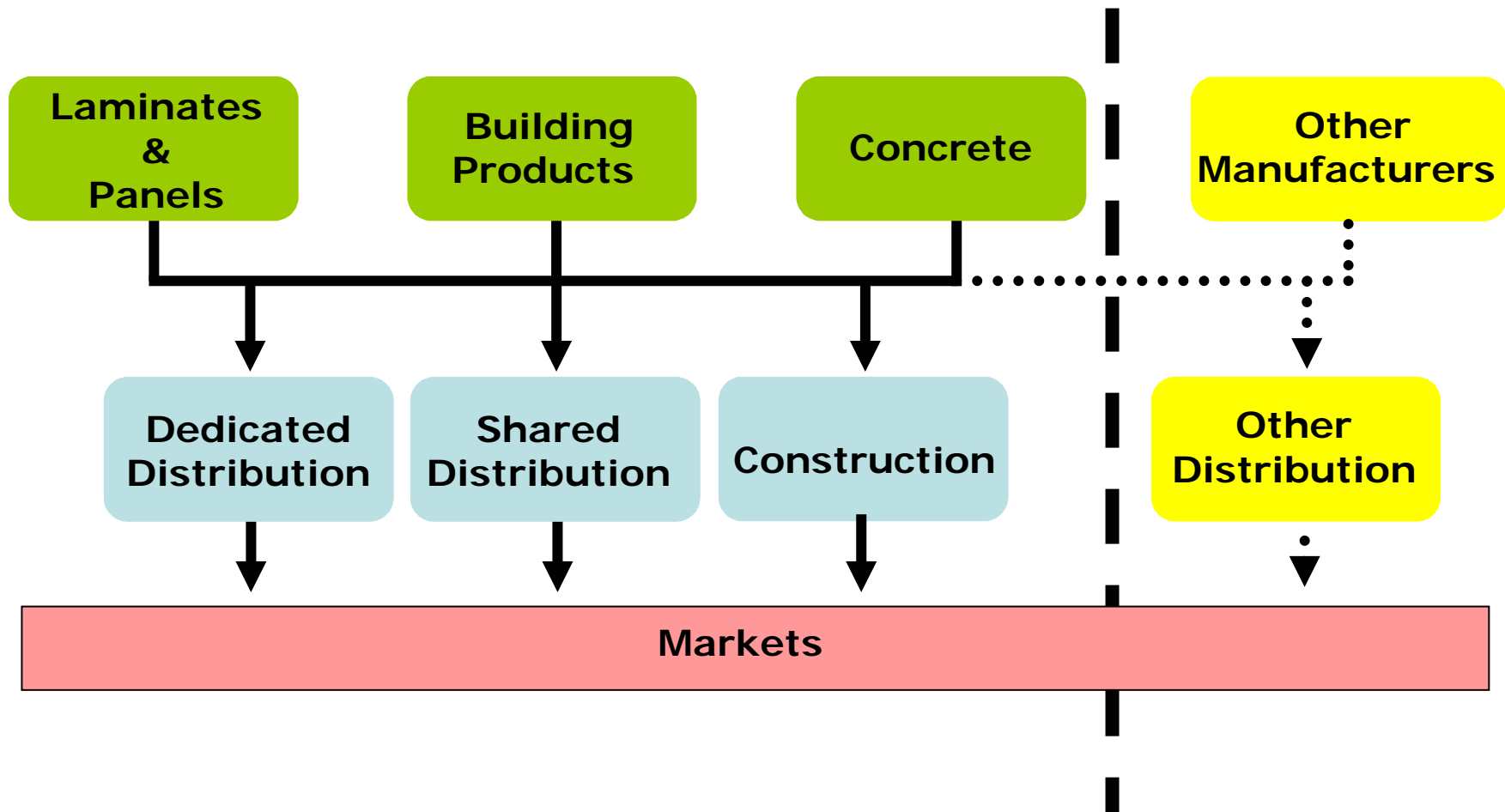
# A Broader Revenue Base

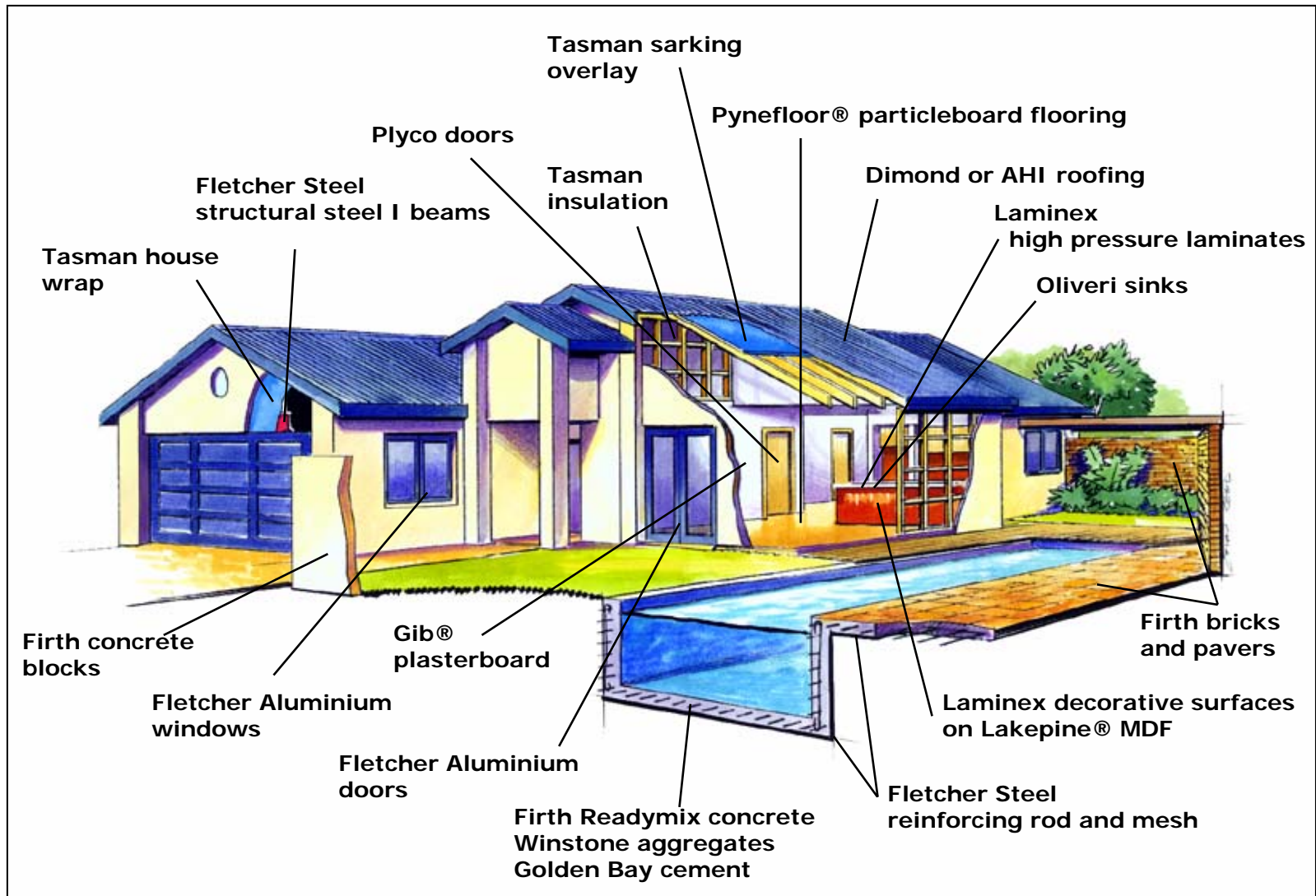
2004 year annualised





# The Fletcher Building Value Chain Delivers High Returns





# Concrete



50% of NZ cement market



33% of NZ RMC market



25% of NZ aggregates market



60% of NZ concrete pipe market



60% of NZ pre cast market

# Building Products



Winstone Wallboards Ltd

94% of NZ market



FLETCHER  
ALUMINIUM

No.2 in NZ



No.1 in Australasia



A FLETCHER BUILDING COMPANY



No.1 in Australasia  
(also facility in California)



No.2 in Australasia



No.1 in Australasia

# Building Products – Steel



50% of Sims (scrap metal)



250,000T EAF Steel Mill

Rod, Bar & Wire



General steel distribution



Dimond

Painting & roll forming of flat steel

# Laminates & Panels



HPL (2 mills)  
No.1 Australasia



Decorated Board  
No.1 Australasia



MDF (3 mills)  
No.2 in Australasia



Particle Board (2 mills)  
No.2 in Australasia

Over 50 owned distribution  
outlets across Australasia

Hardboard (1 mill)  
No.2 in Australasia

# Distribution



No.1 in segment

54 PlaceMakers  
stores in NZ



35% of building  
materials market

Joint Venture rather  
than franchise

Trade focus – 80%  
of sales

# Construction

## New Zealand's leading construction company

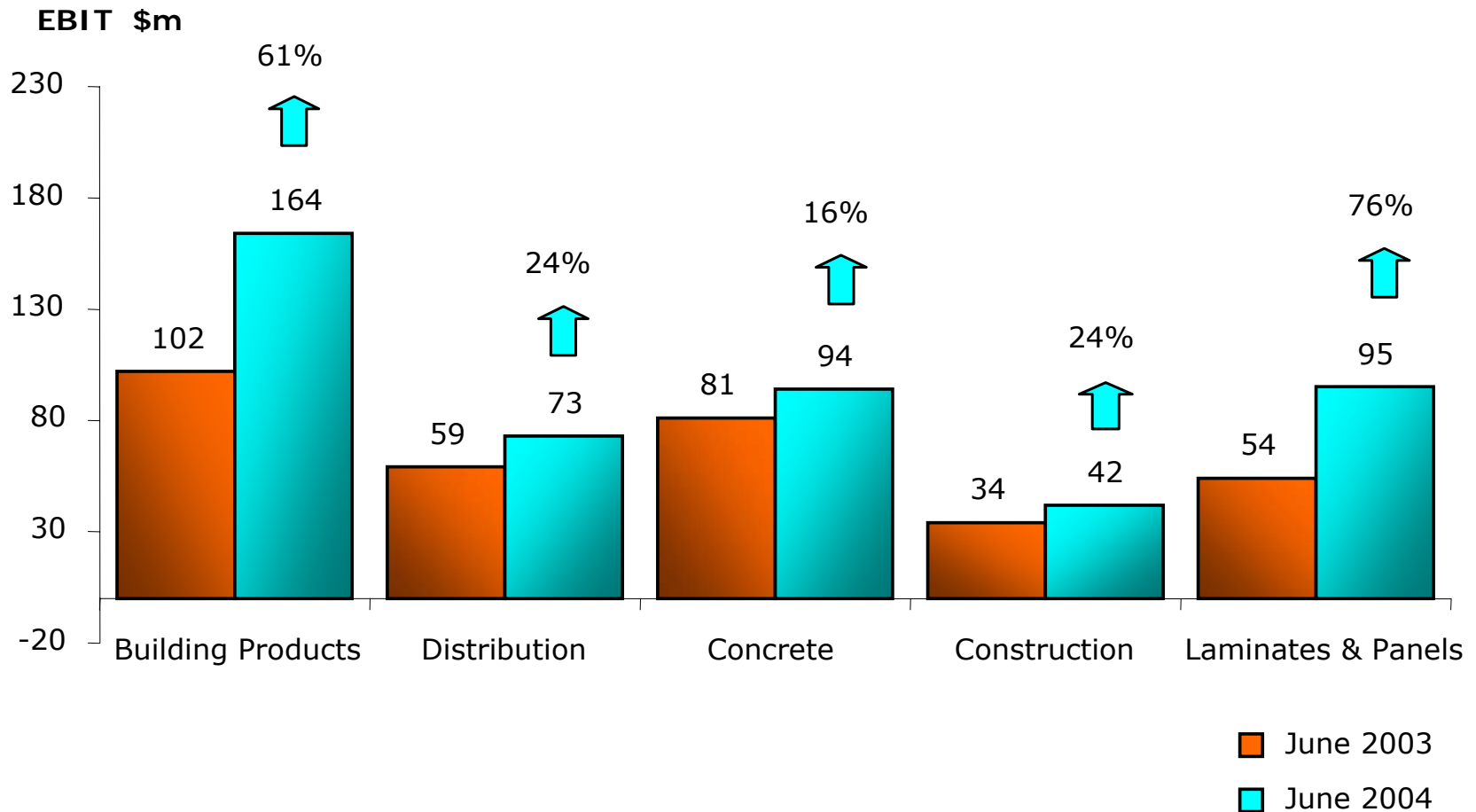
- Commercial (Buildings)  **FLETCHER CONSTRUCTION**
- Engineering (Infrastructure)  **FLETCHER RESIDENTIAL**
- South Pacific (General)
- Residential (NZ largest home builder)



# Summary of Results

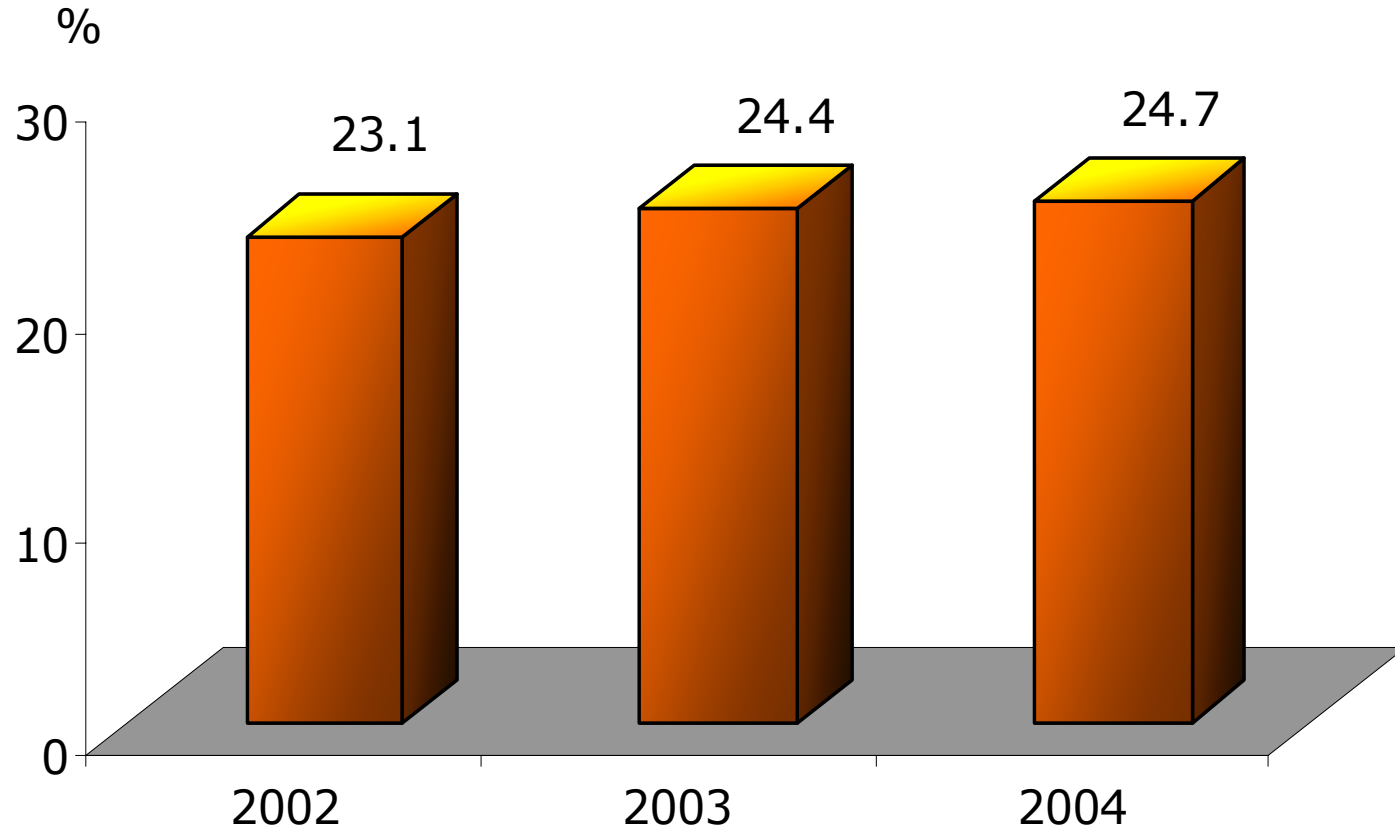
\$m	Jun 2002	Jun 2003	Jun 2004
Revenue	2966	3221	3958
EBITDA	294	429	582
EBITA	217	338	471
EBIT	210	331	460
Net Earnings	93	168	240
EPS (cents)	27.0	43.4	55.7
Dividend cps	14.0	19.0	25.0

# Financial Performance Again Improved Across All Segments



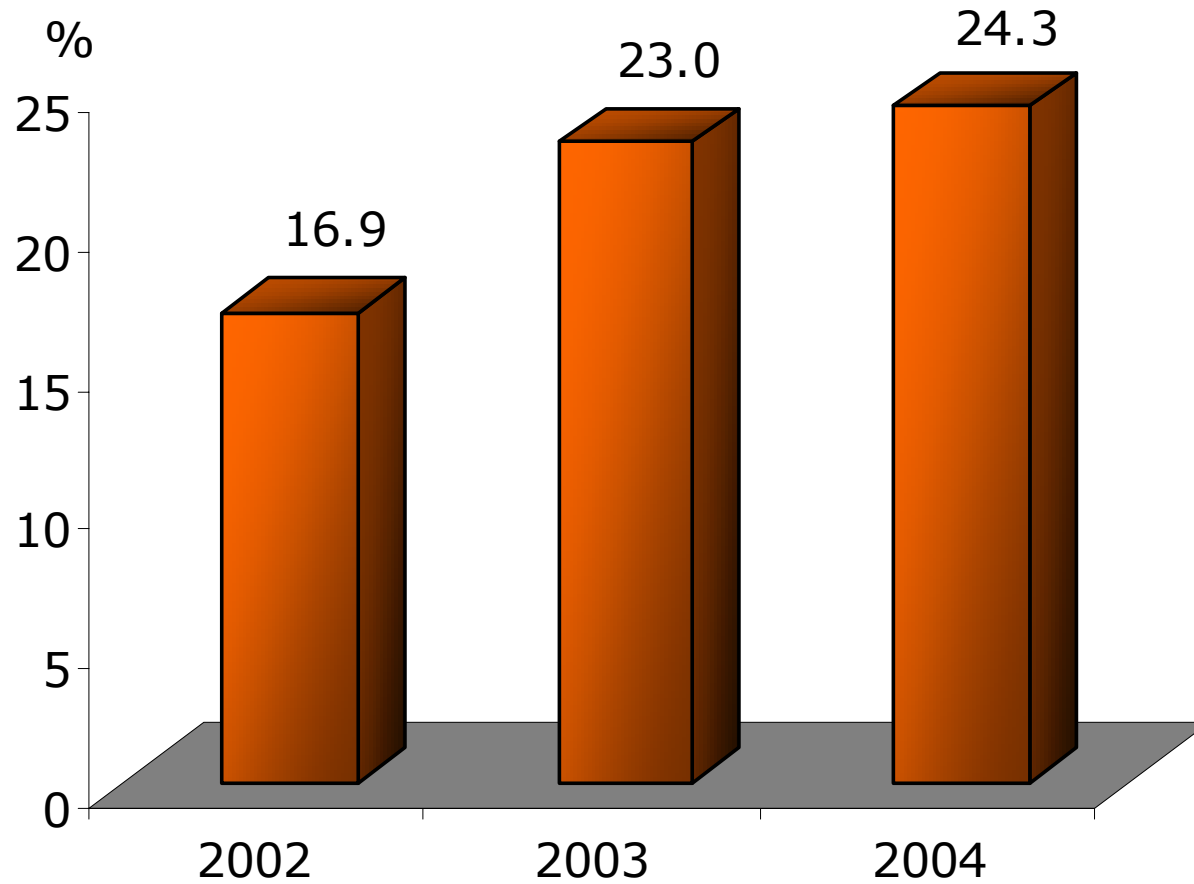
# Performance Measurement

## Return on Funds



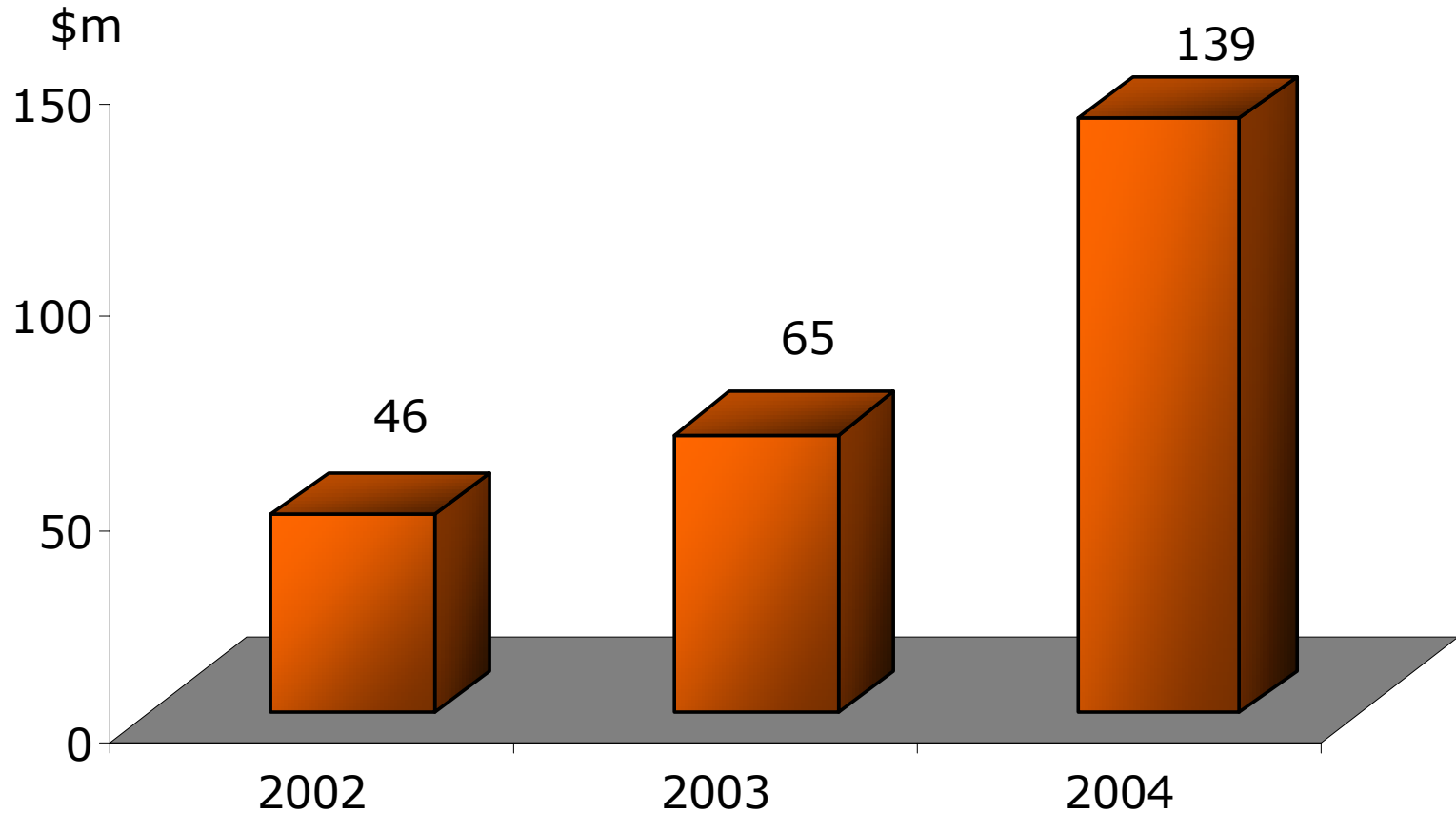
# Performance Measurement

## Return on Equity



# Performance Measurement

## Economic Value Added

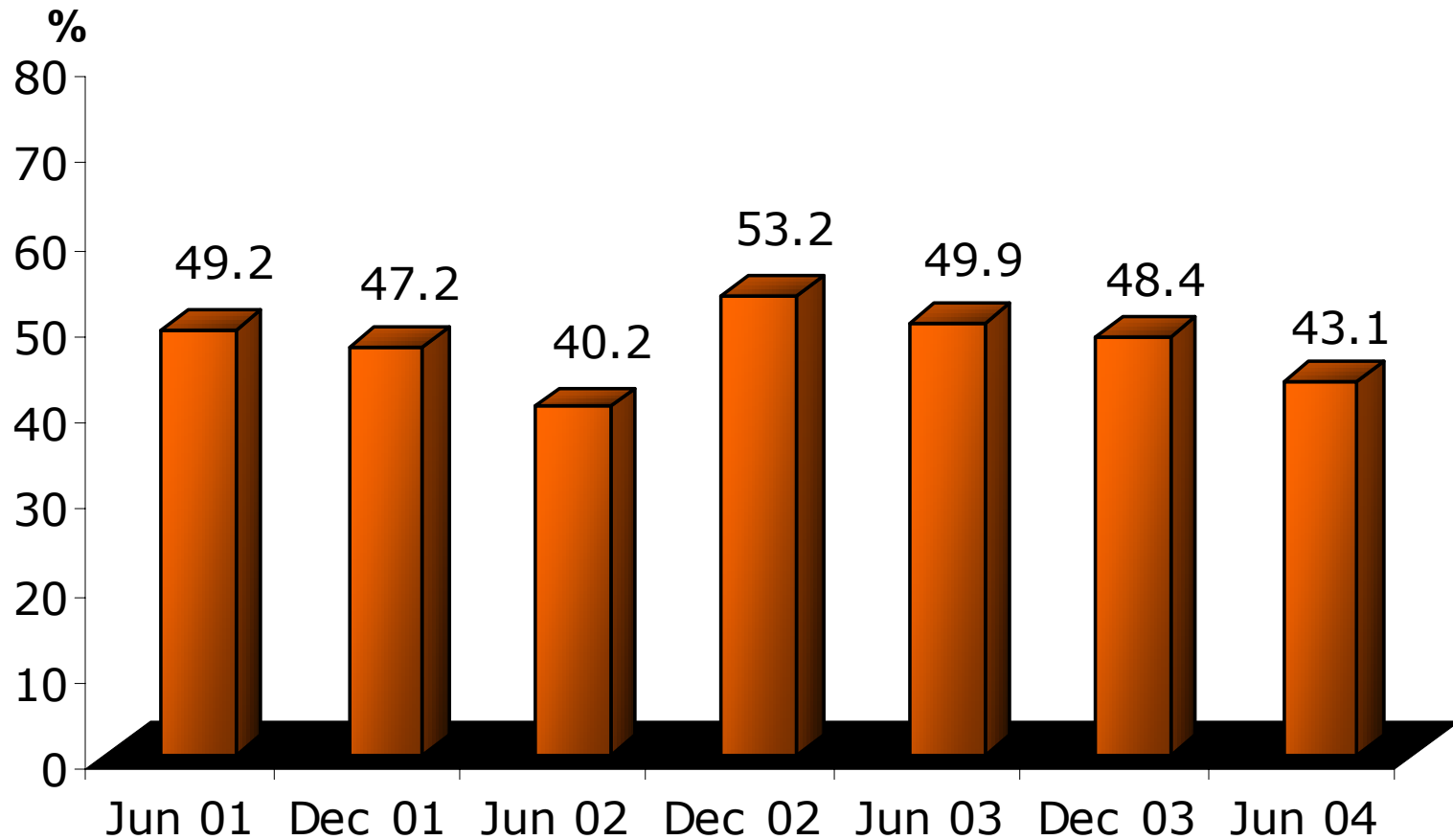


# Simplified Balance Sheet

	Jun 2004 NZ\$m	Jun 2003 NZ\$m
<b>Assets</b>		
Current Assets	1022	919
Fixed Assets	1023	972
Intangibles & Goodwill	342	195
Provision for Deferred Taxation	86	104
Investments	159	155
	<hr/>	<hr/>
<b>Total Fletcher Building Assets</b>	<b>2632</b>	<b>2345</b>
<b>Liabilities</b>		
Current Liabilities	666	627
Net Debt	448	502
Capital Notes	400	356
	<hr/>	<hr/>
Total Fletcher Building Liabilities	1514	1485
<b>Equity</b>		
Equity & Minority Interests	1118	860
	<hr/>	<hr/>
<b>Total Fletcher Building Liabilities and Equity</b>	<b>2632</b>	<b>2345</b>

# Key Ratios

## Debt/Debt Plus Equity



# Strategic Agenda

Earnings Reliability

Internal Growth

External Growth



# Earnings Reliability

- ❑ Cycle not just residential but total construction including non-residential and infrastructure
- ❑ Factors that will influence total work put in place
  - GBC estimates of projects over 1000 ton cement
  - Fletcher Construction estimates of construction jobs over \$25 million
  - House occupancy rate
  - Average house size
- ❑ Infometrics estimates of Total Market

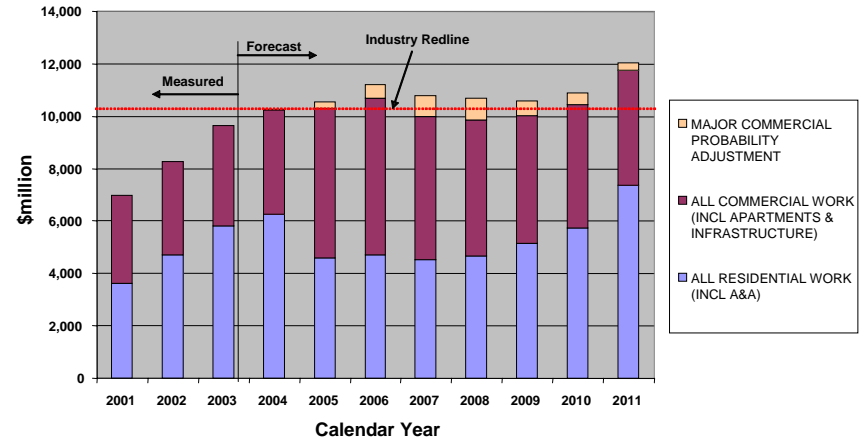
# Earnings Reliability

Infrastructural projects will deliver growth..

GBC Major Project Analysis F03	
Project	Est Cement
Britomart	10,000
Auckland University	7,000
Grafton Gully	4,000
Northlands Mall (Chch)	2,500
Huntly Power Station	2,500
Route PJK	2,500
Northland Prison	2,000
Fraser Cove	1,500
Whitianga Waterways	1,500
Gate Pa Mall	1,500
Queensgate Mall	1,500
Hamilton Innovation Park	1,500
Sky City Convention C	1,000
Waitakere Hospital	1,000
Devonport Apartments	1,000
<b>TOTAL TOP 15</b>	<b>41,000</b>

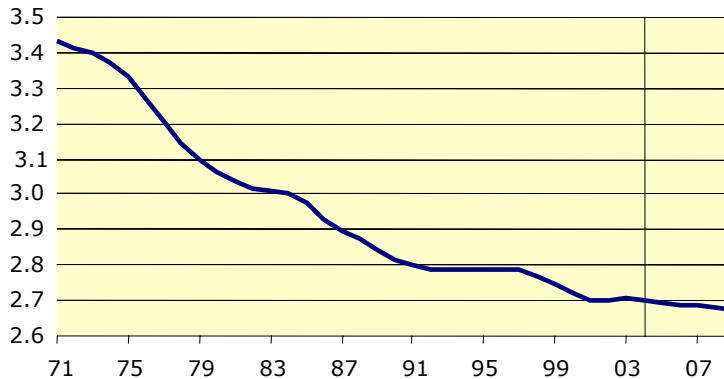
What's On - Major Projects		
Project	Timing	Est Cement
Fergusson Wharf	2005-07	60,000
Auckland Rooding Network	2004/07	20,000
Pohokura Gas Field	2005/06	15,000
CMJ	2005-06	12,000
AIAL Runway/H'stand	2004-05	12,000
Manawatu Wind Farm	2004-05	10,000
Marsden Refinery Upgrade	2004/05	8,000
Hewletts Rd - Fly-over	2005	4,000
Nth Shore Sewerage Pipeline	2005-06	3,000
Wgtn Inner City Bypass	2004-05	2,000
Waikato/Wgtn Hospitals	2005/07	18,000
Auckland Uni/AUT R Block	2005-06	16,000
Highbrook Park East Tamaki	2004-05	4,000
Hamilton Innovation Park	2004-05	3,000
<b>TOTAL TOP 15:</b>		<b>187,000</b>

Building Consents Measured, WIP Forecast



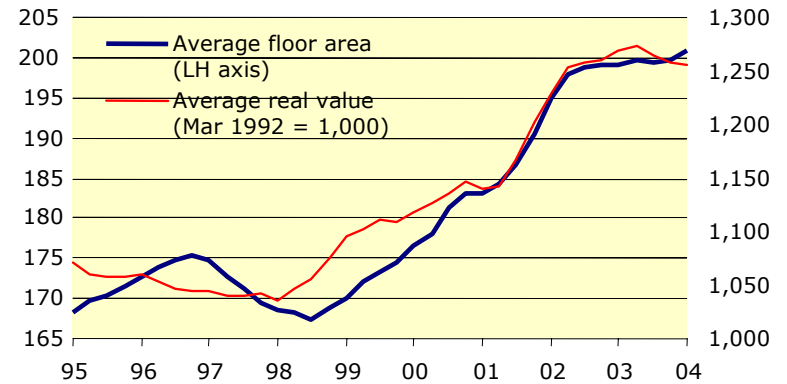
## Occupancy rate

Number of people per occupied dwelling



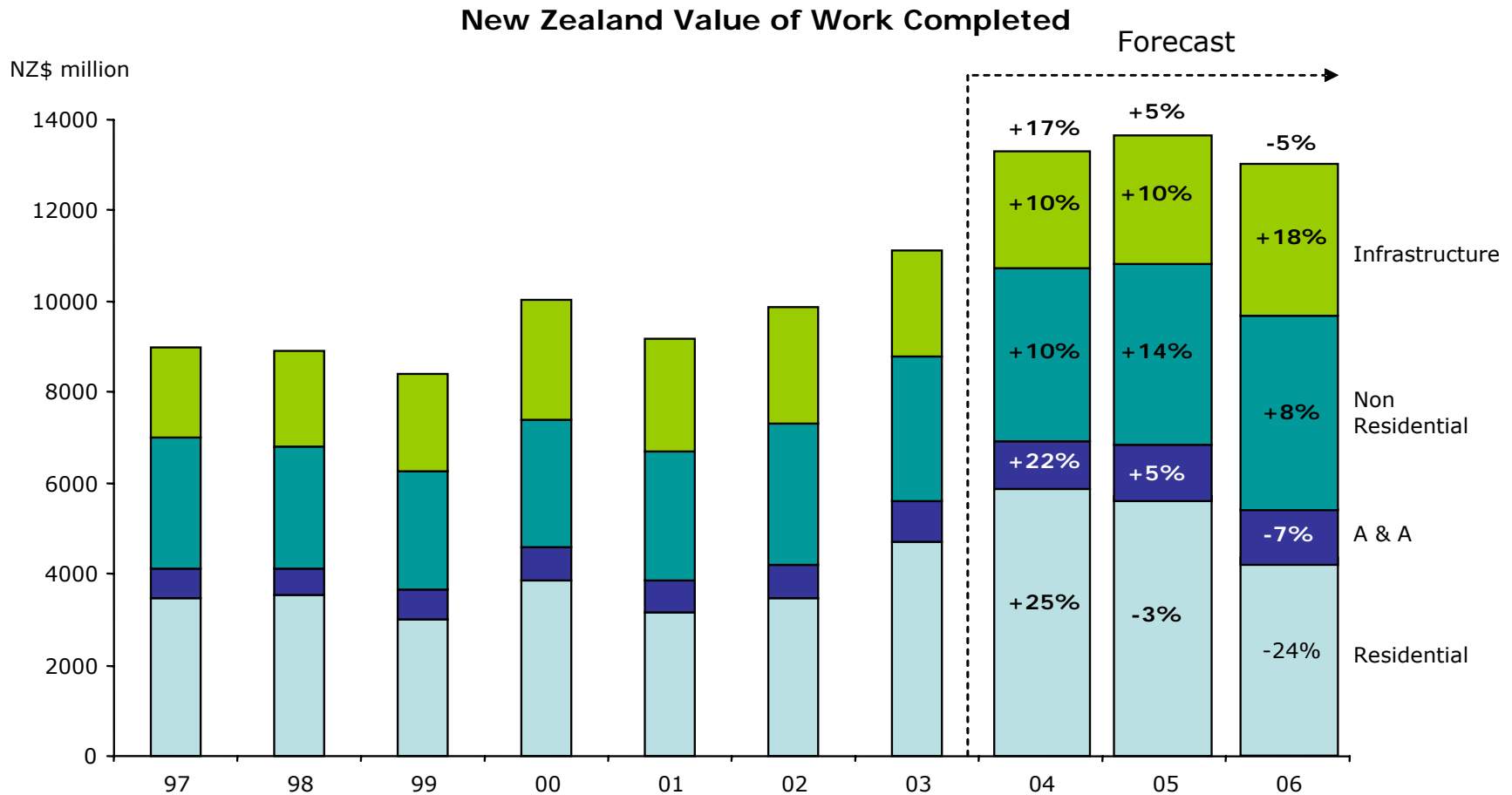
## Bigger dwellings, more work

Non-apartment dwellings, year ended avgs



# Earnings Reliability

## Total Construction Work (NZ)



Source: Infometrics

# Internal Growth Opportunities

Expect to approve up to \$100 million more than depreciation in 04/05

- ❑ **Building Products**
  - AHI Roofing expansion
  - Insulation expansion
  
- ❑ **Concrete**
  - Golden Bay expansion
  - Whitehall quarry

# Internal Growth Opportunities

## ❑ Construction

- Auckland land
- Queenstown land

## ❑ Laminates & Panels

- Resin Joint Venture
- Asian distribution

# Internal Growth Opportunities

## □ Distribution

The following new stores are under construction

- Riccarton (opened Oct 04)
- Mt Wellington (due to open Dec 04)
- Queenstown (due to open Dec 04)

With eight others to be upgraded

# External Growth Opportunities

- ❑ We have the financial capacity
- ❑ Limited opportunities in total
- ❑ Our acquisition criteria narrows that further
  
- ❑ **Evaluating Amatek**

# Amatek

- Fibreglass insulation
- Concrete pipes
- Pre cast concrete
- Sand quarries
- Metal roofing and purlins

All Australian based



# Outlook

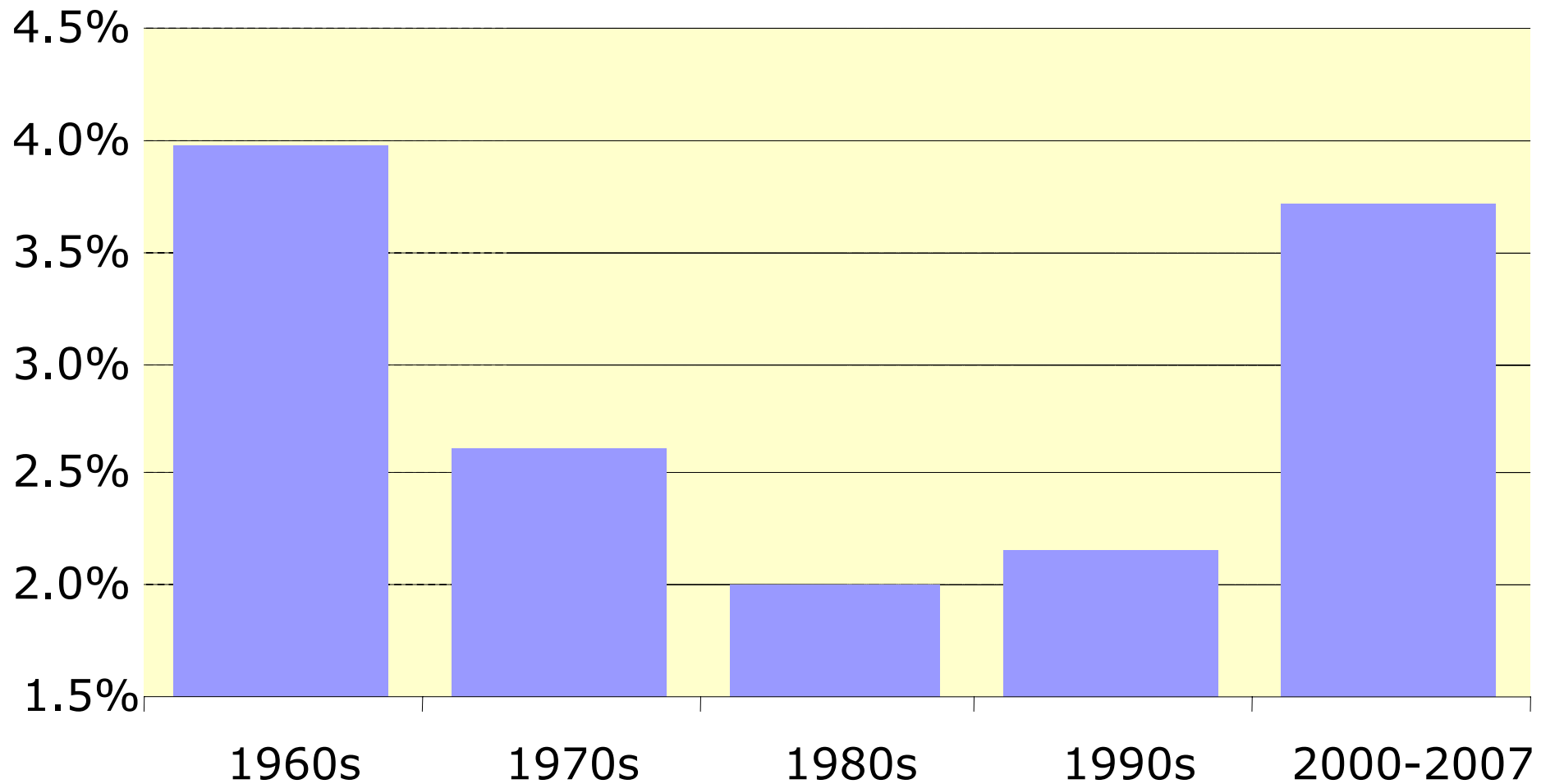
- ❑ NZ and Australia residential markets will soften this year, but off record high levels
- ❑ We expect A&A to strengthen
- ❑ Non-residential outlook is strong for next two to three years in New Zealand
- ❑ Infrastructure spend will also be strong for at least the next three years
- ❑ **We expect EBIT in the \$475m-\$500m range up from last year's record \$460m**



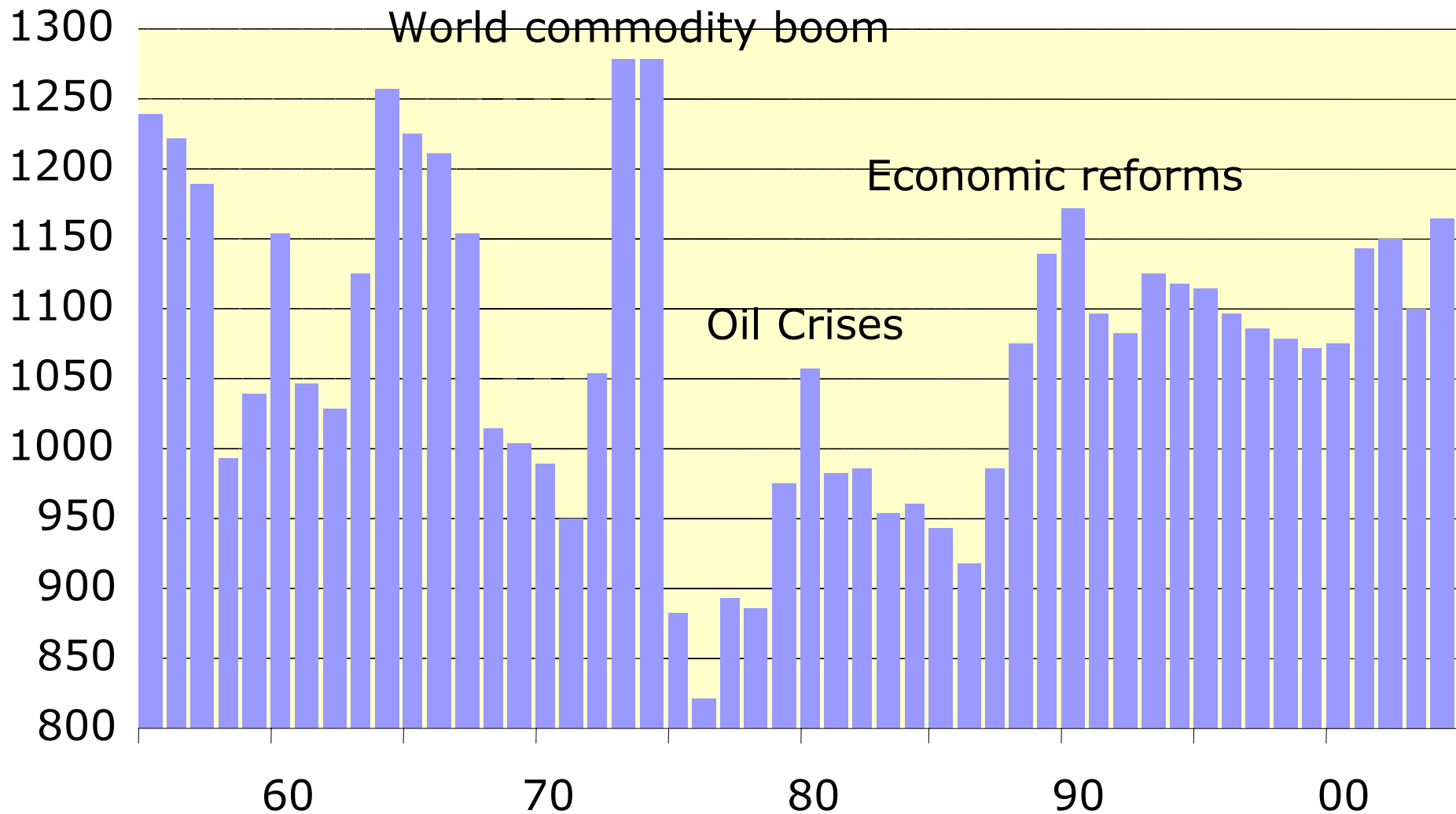
**Fletcher**Building

# Return of the golden weather – New Zealand

Average real GDP growth

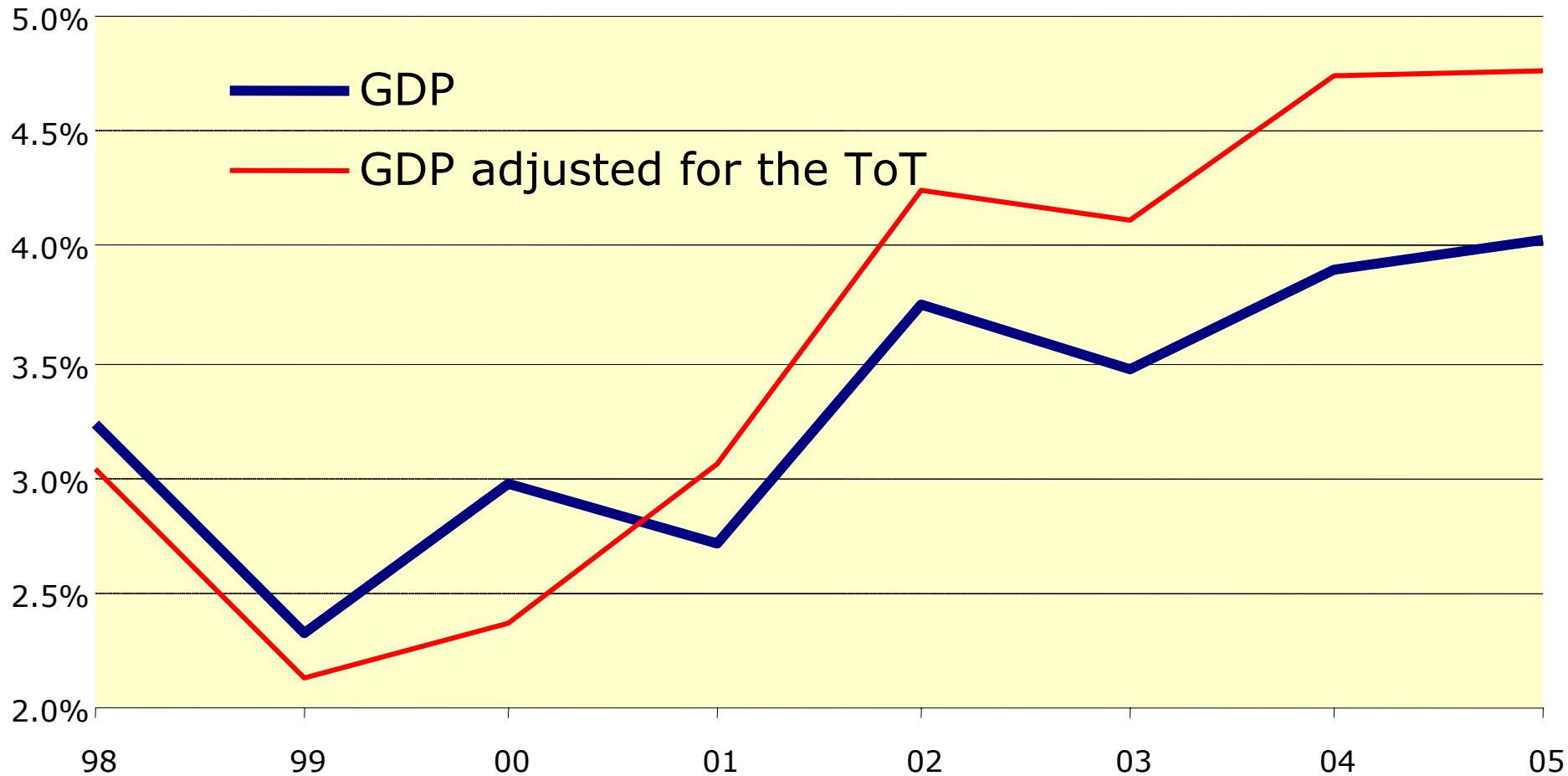


# Terms of Trade – New Zealand

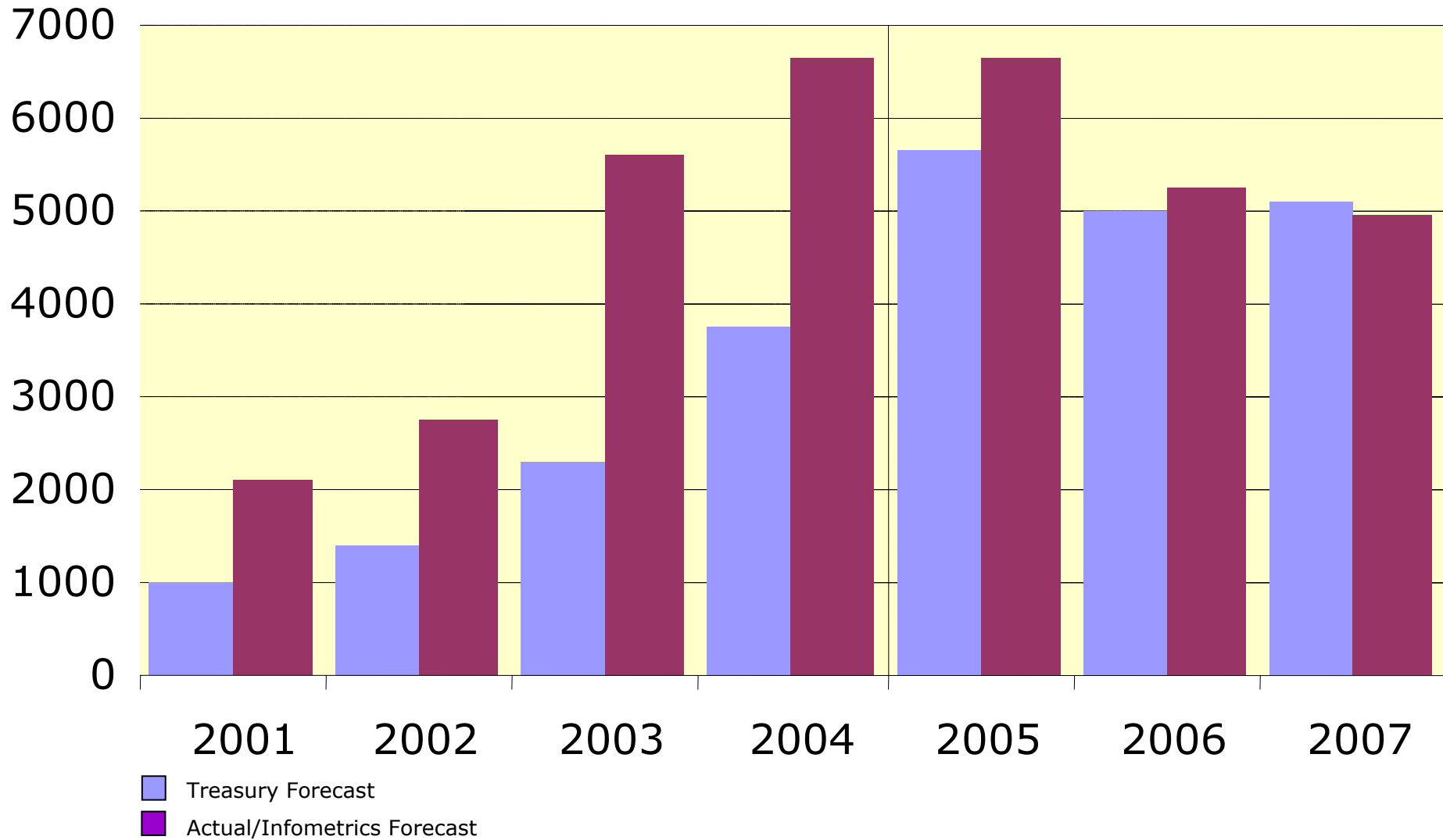


# Rewarded for producing what the World wants - New Zealand

3 year moving average GDP growth



# Budget Balance \$m – New Zealand

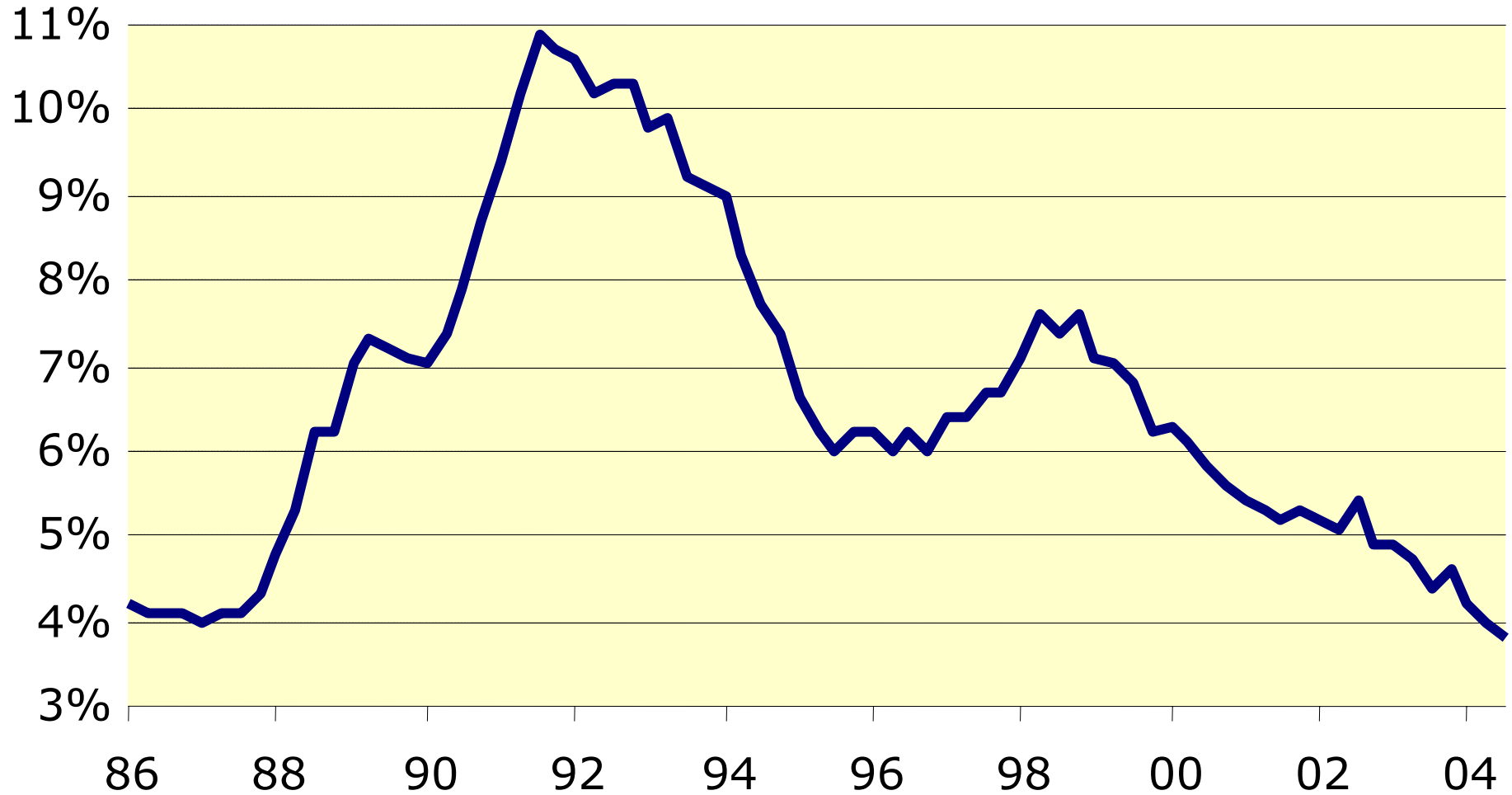


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# Unemployment rate – New Zealand

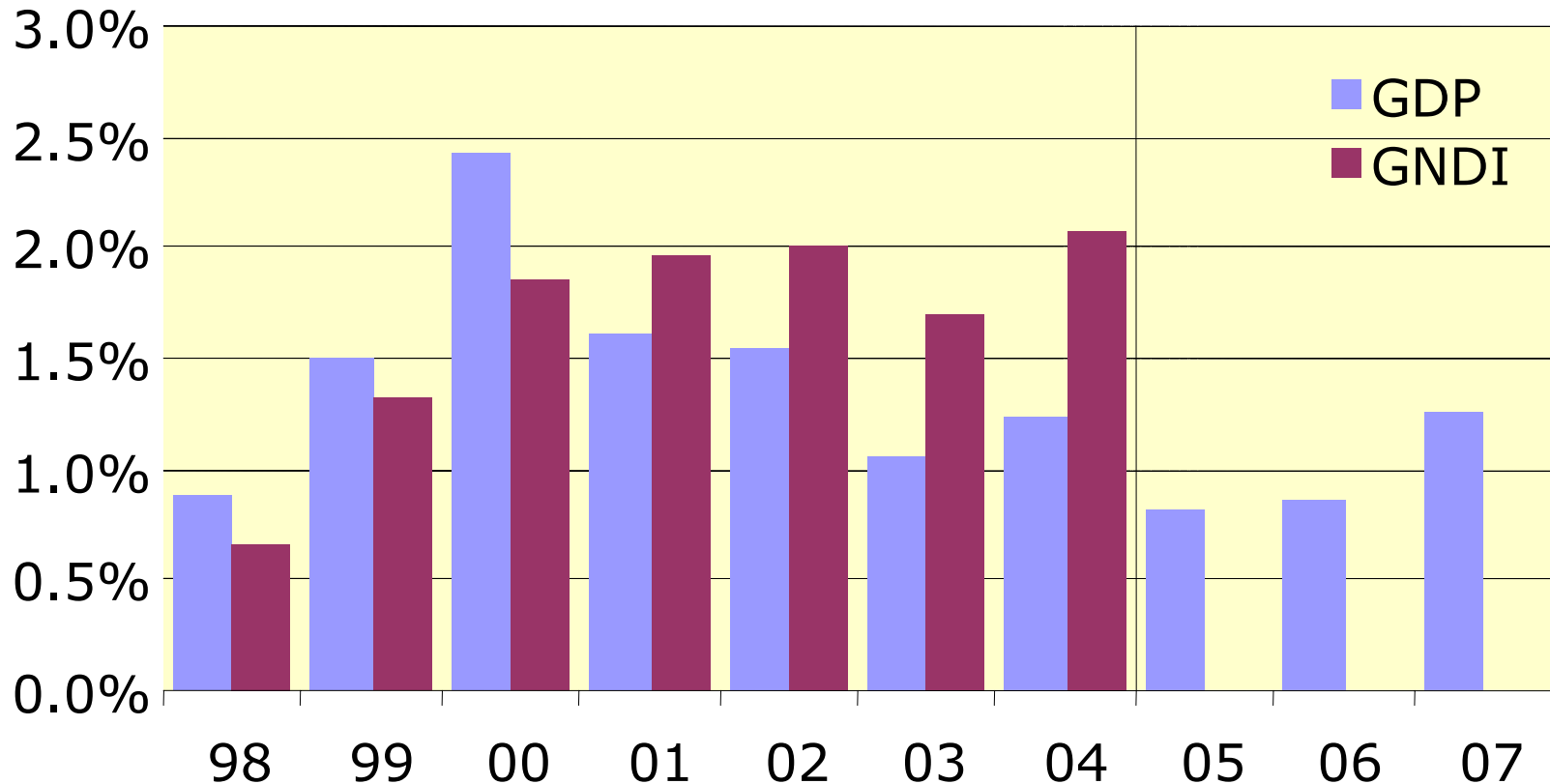
Seasonally adjusted



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# Productivity – New Zealand

3 yr moving average growth rate



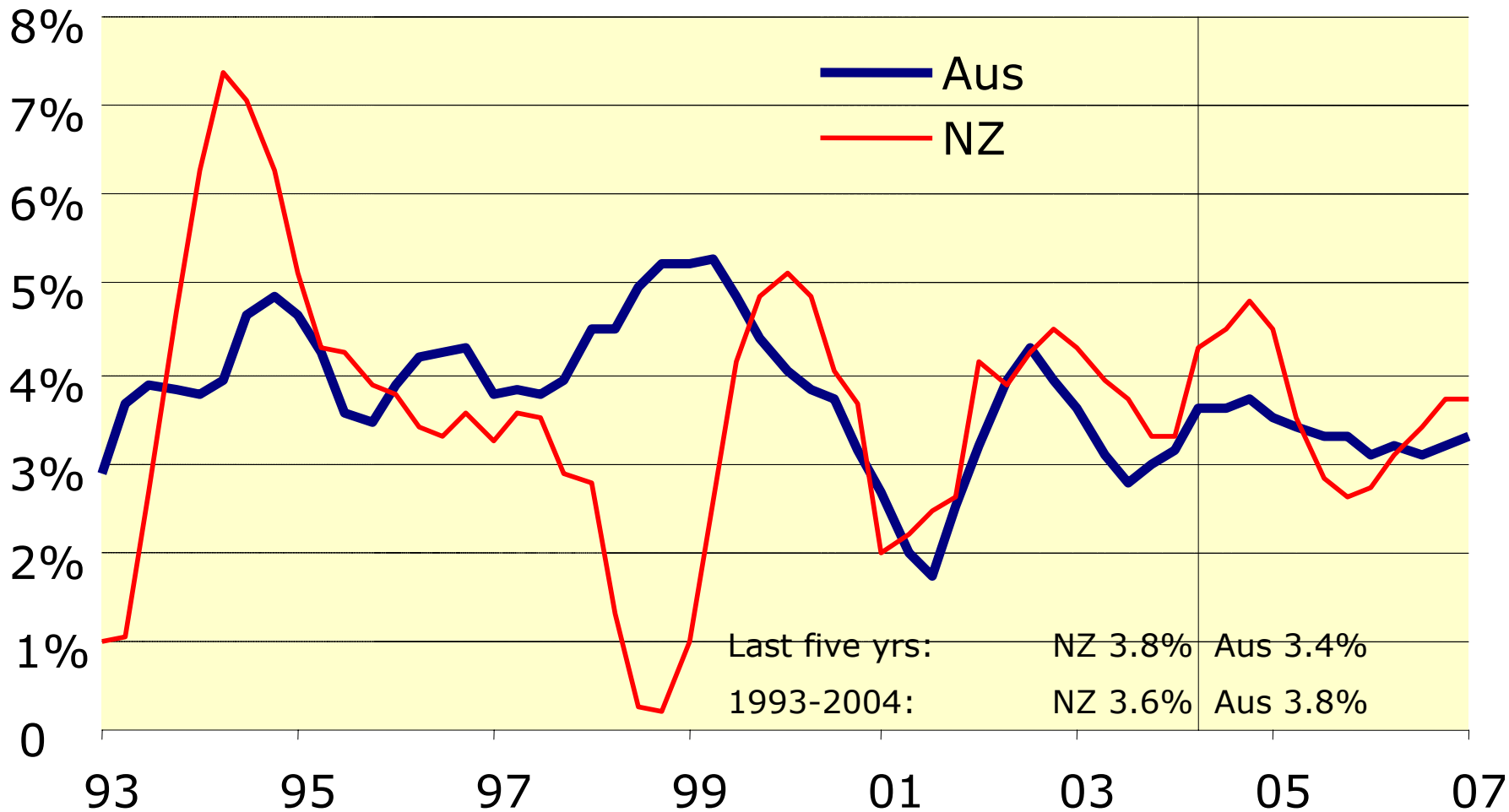
Why?

- Rising cost of labour forces firms to look for productivity
- Heavy capital investment – more capital per worker
- Reallocation of labour and capital – terms of trade



# GDP growth

Annual % change GDP



# Changing population growth – the residential driver

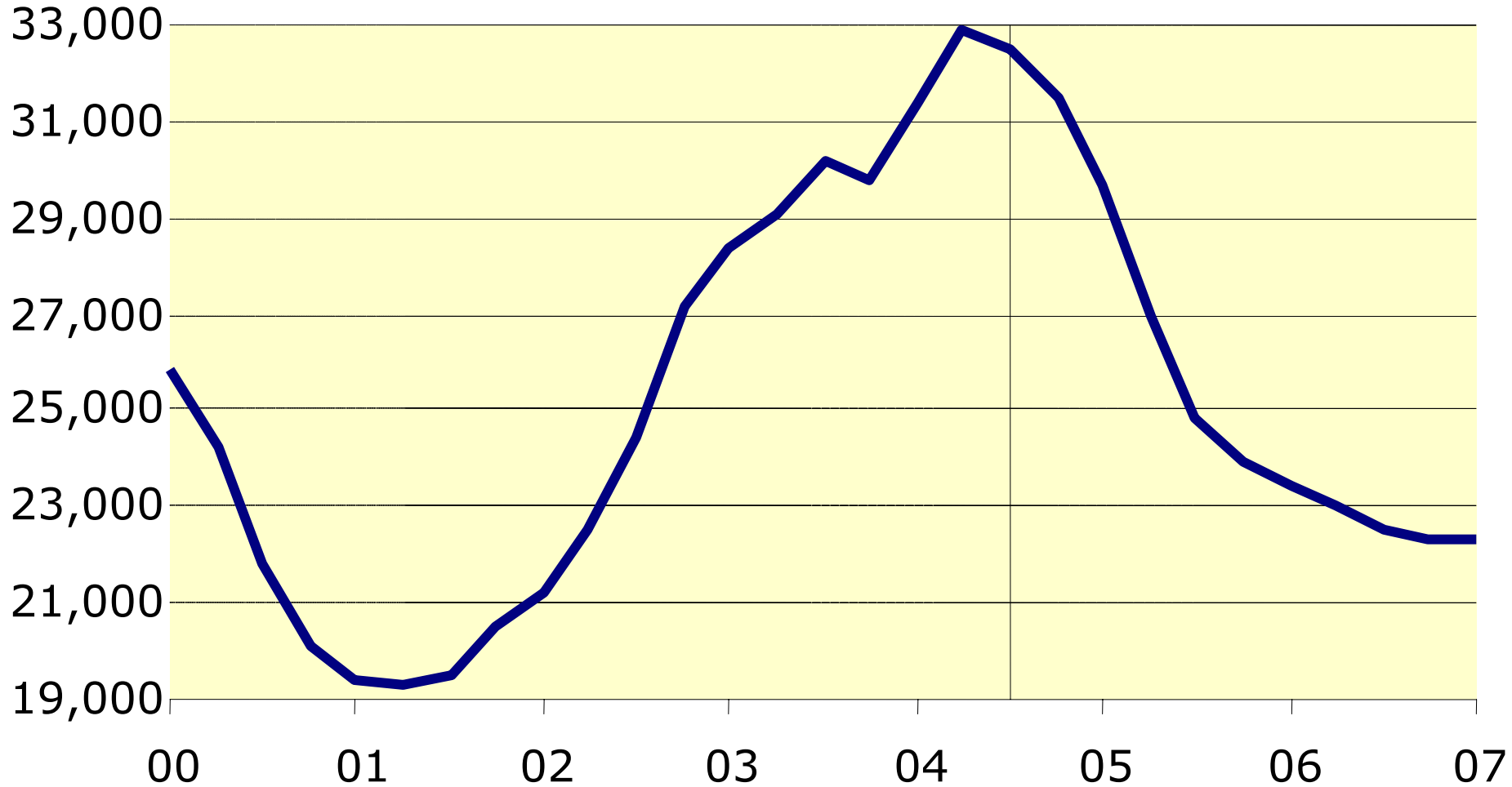
Year ended	March 2003	March 2005
• Net migration	41,200	14,500
• Population growth requires	25,300	15,000
• Depreciation/occupancy/vacancy	5,800	9,800
• Required build rate	31,100	24,800
• Actual build rate	28,300	29,700
• <b>Underbuilding or Overbuilding</b>	<b>2,800</b>	<b>5,200</b>

26,700 fewer migrants require about  
10,000 fewer new homes

# Build rate will slow

Annual consent total

Sept quarter annualised 26,000

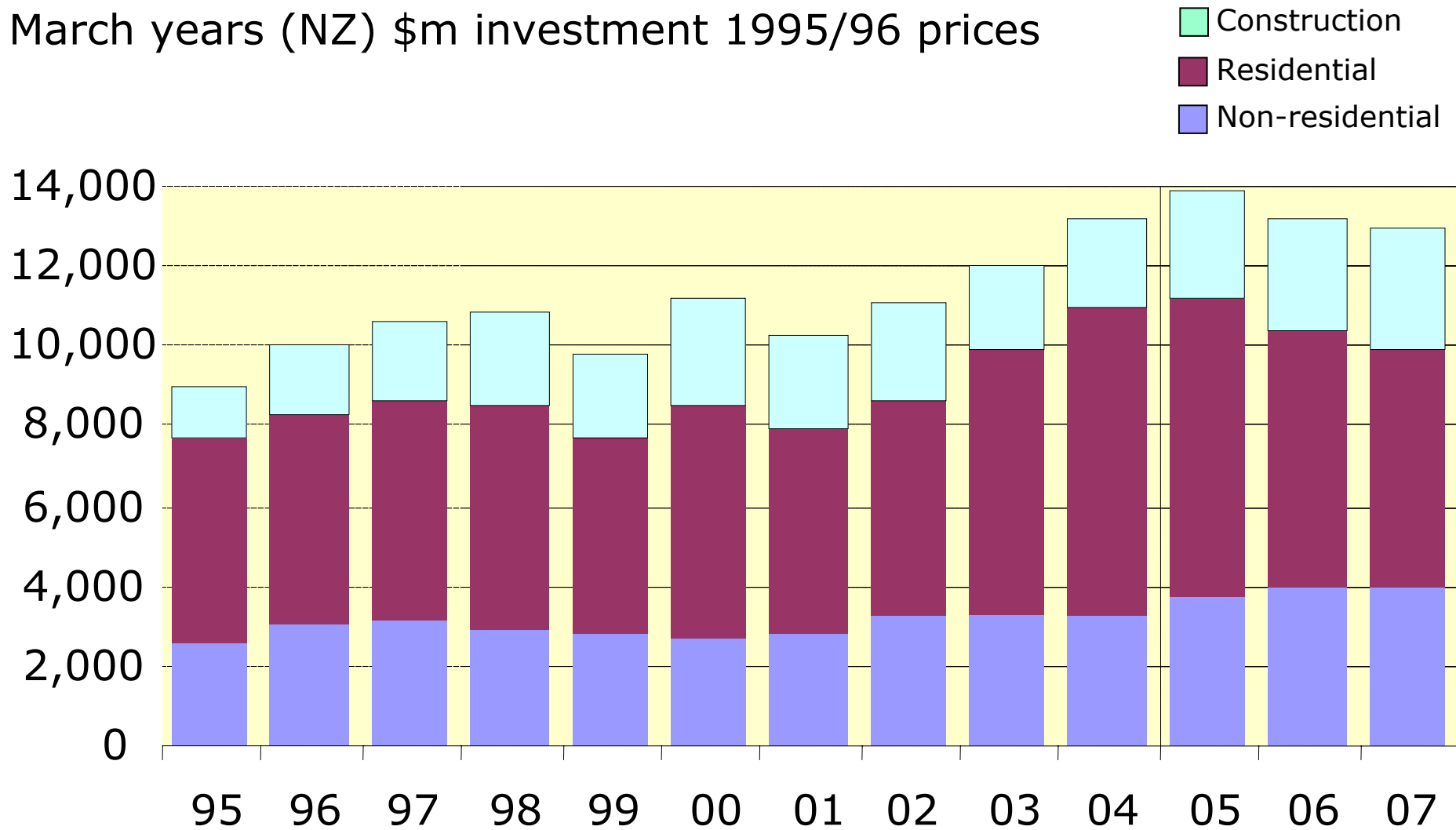


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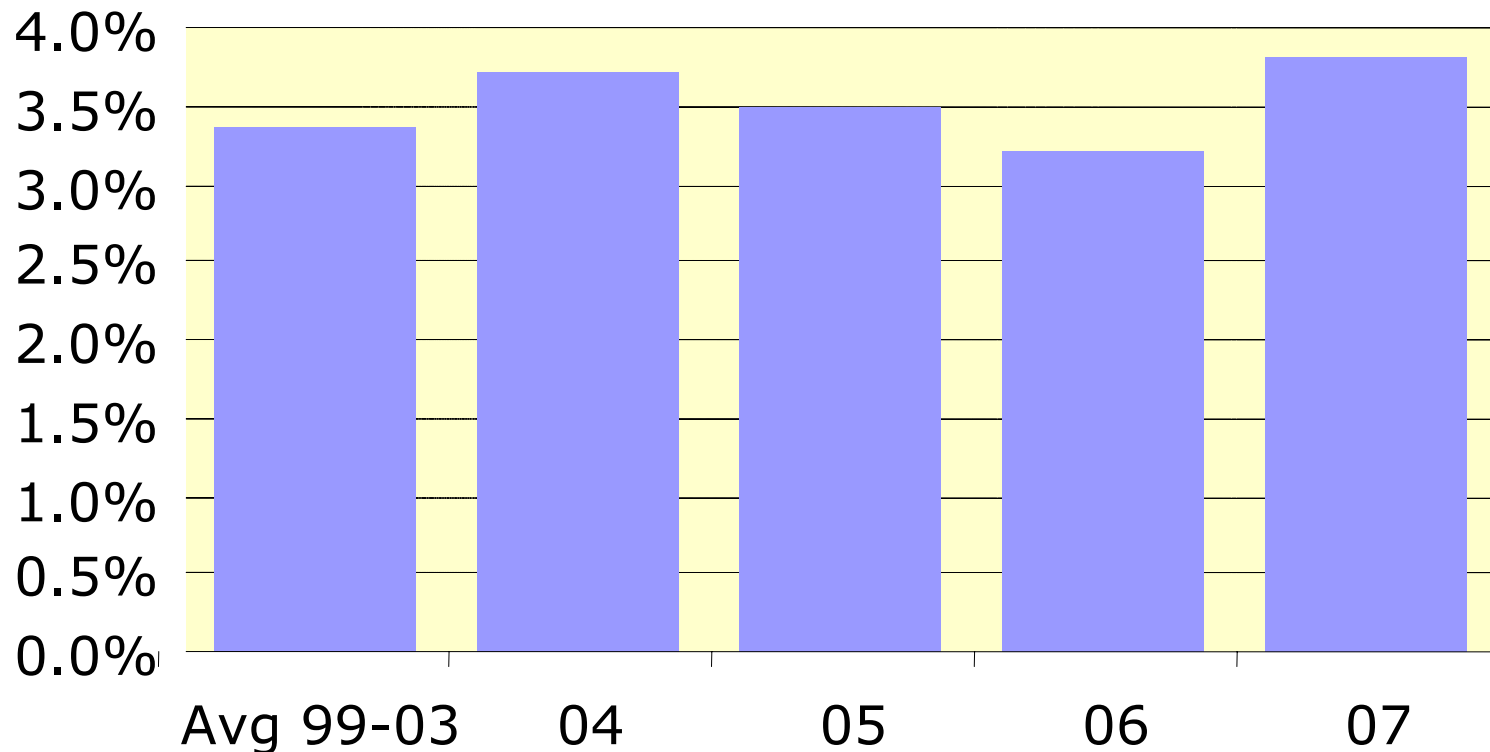
# Total building and construction activity

March years (NZ) \$m investment 1995/96 prices



# Prospects for Australia

Year end % growth, GDP



- Housing sags a little – but households confident
- Fiscal stimulus to come
- Energy – accelerating investment
- Asian demand helps out
- A baby version of the US 1950-1970