

# 2014 Annual Shareholders' Meeting

*21 October 2014*



# Ralph Waters

## Chairman

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# Directors

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Ralph Waters (Chairman)

Tony Carter

Dr Alan Jackson

John Judge

Mark Adamson (Managing Director)

Sir Ralph Norris

Kathryn Spargo

Cecilia Tarrant

Gene Tilbrook



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# Meeting agenda

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## Chairman's overview

- 2014 financial performance

- Board changes

## Chief Executive Officer's address

- Progress on strategic priorities

## Trading and financial outlook

## General business

## Voting on resolutions



# Results Overview

Revenue – underlying revenue growth of 4%

**\$8,401** million ▼

REVENUES down 1%

## Revenue growth rates

*Geographic segments in local currency*

New Zealand	+5%
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Australia	+2%
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Rest of World	+5%
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# Results Overview

## Net earnings

**\$339** million ▲

NET EARNINGS up 4%

**\$362** million ▲

NET EARNINGS before significant items  
up 11%

- Reported net earnings up 4% to \$339m

- Net earnings before significant items were up 11% to \$362m



# Results Overview

## Operating Earnings before significant items

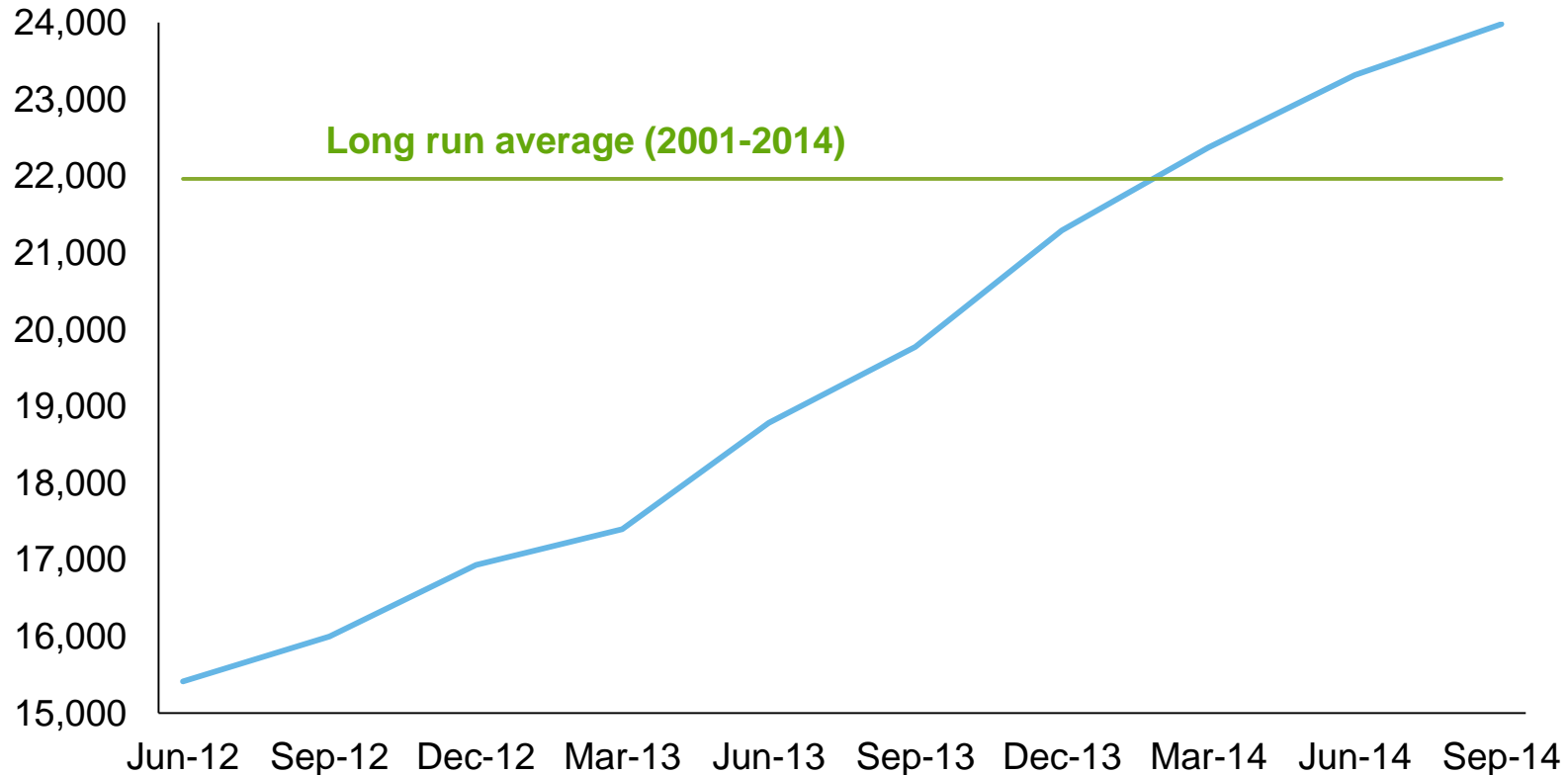
**\$624** million ▲

**OPERATING EARNINGS** before  
significant items up 10%

- **Operating earnings excluding significant items up 10%**
- **Within guidance range of \$610m - \$650m**
- **Excluding foreign currency translation impacts, EBIT would have been up 15%**



# New Zealand residential consents at highest level since 2007



**Total residential consents 12 month rolling – New Zealand**

Source: Statistics NZ, Infometrics



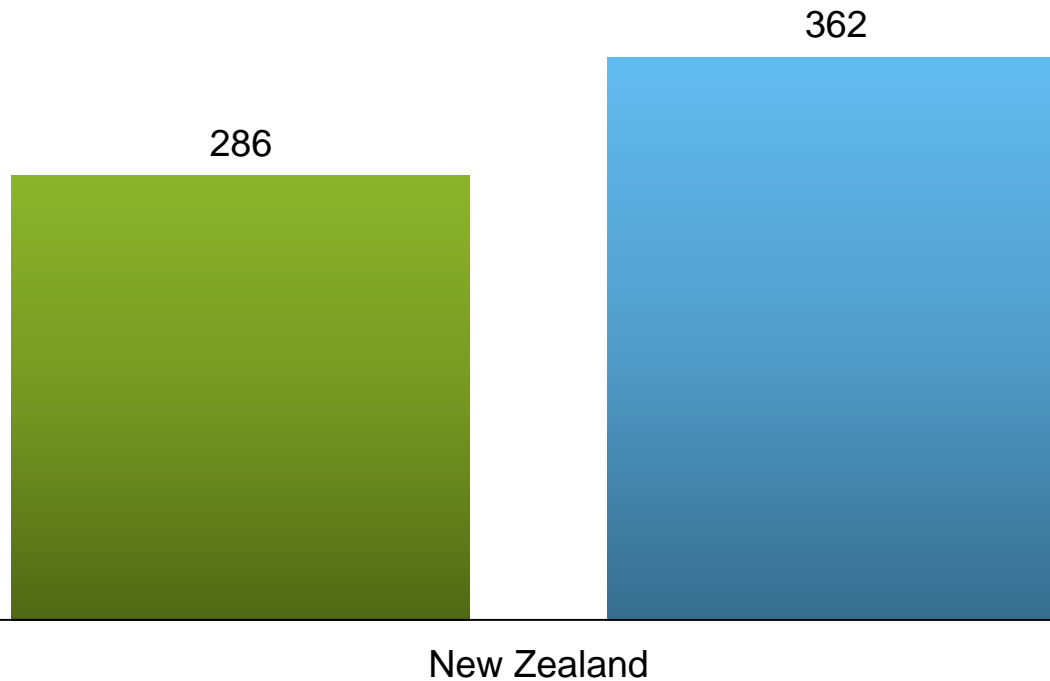


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# New Zealand operating earnings up 27%

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**EBIT<sup>1</sup>**  
**NZ\$m**

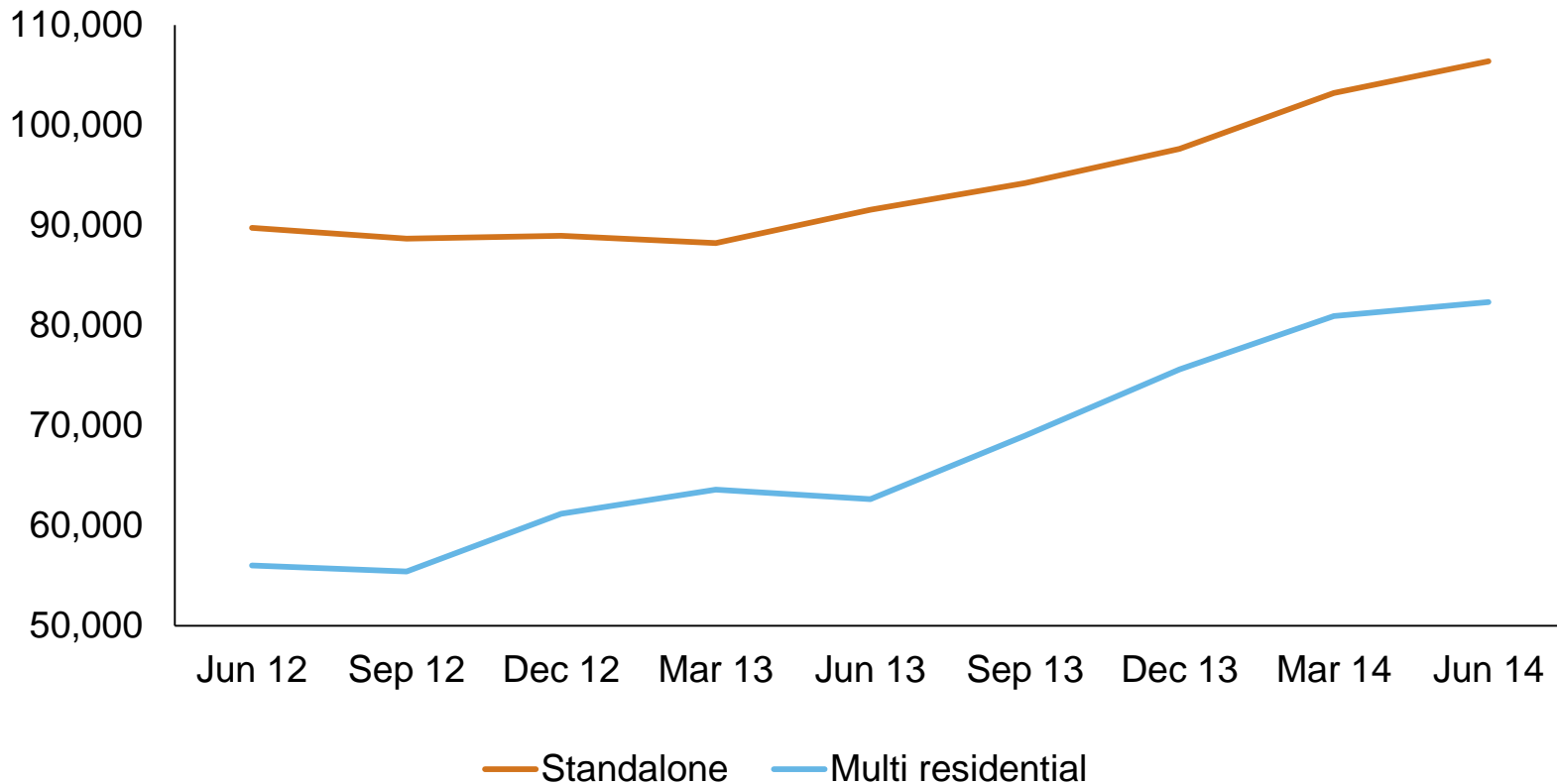


■ Year ended June 2013   ■ Year ended June 2014

*1. Before significant items*



# Australian residential consents up 21% multi-unit dwellings up strongly



## Total residential consents 12 month rolling – Australia

Source: Australian Bureau of Statistics

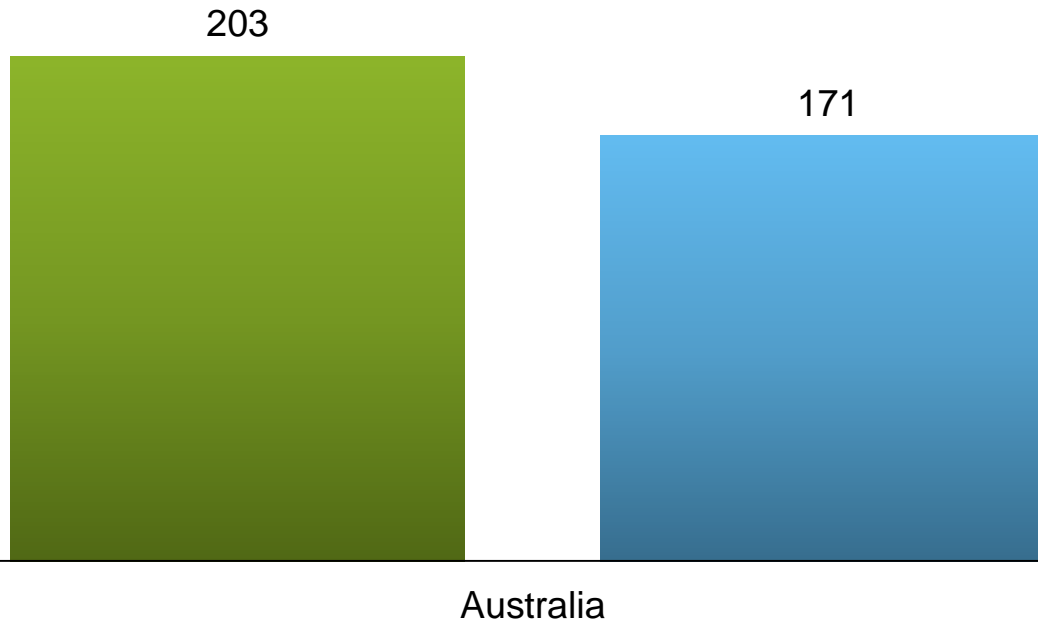


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# Australian operating earnings impacted by currency translation and lower volumes

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**EBIT<sup>1</sup>**  
**NZ\$m**



■ Year ended June 2013    ■ Year ended June 2014

*1. Before significant items*

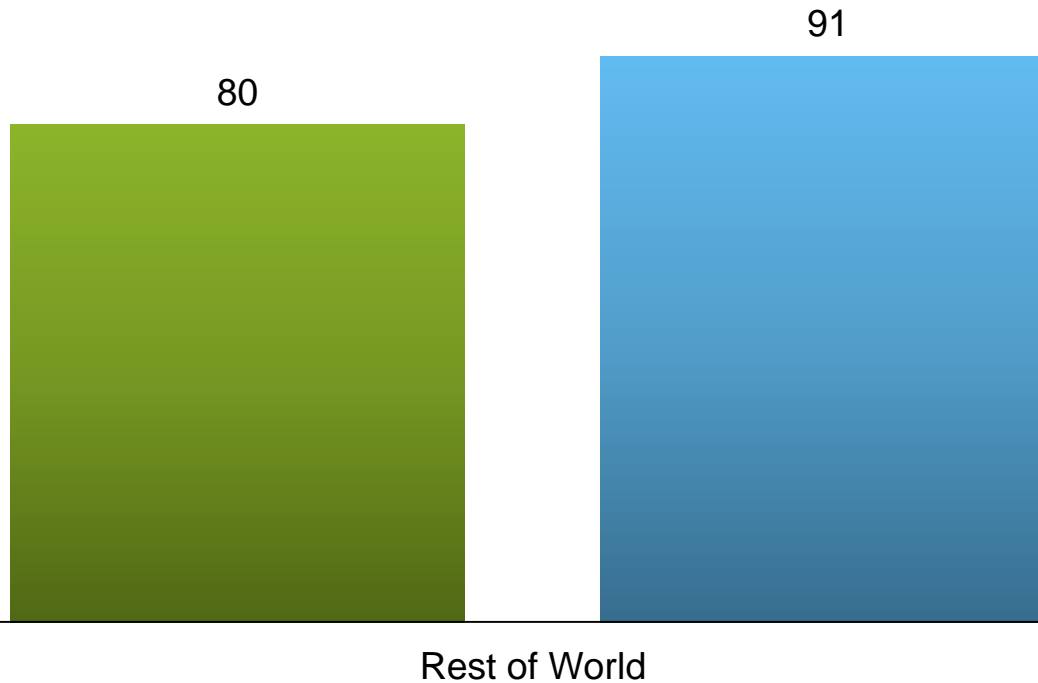


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## Rest of World operating earnings rose by 14%

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**EBIT<sup>1</sup>**  
**NZ\$m**

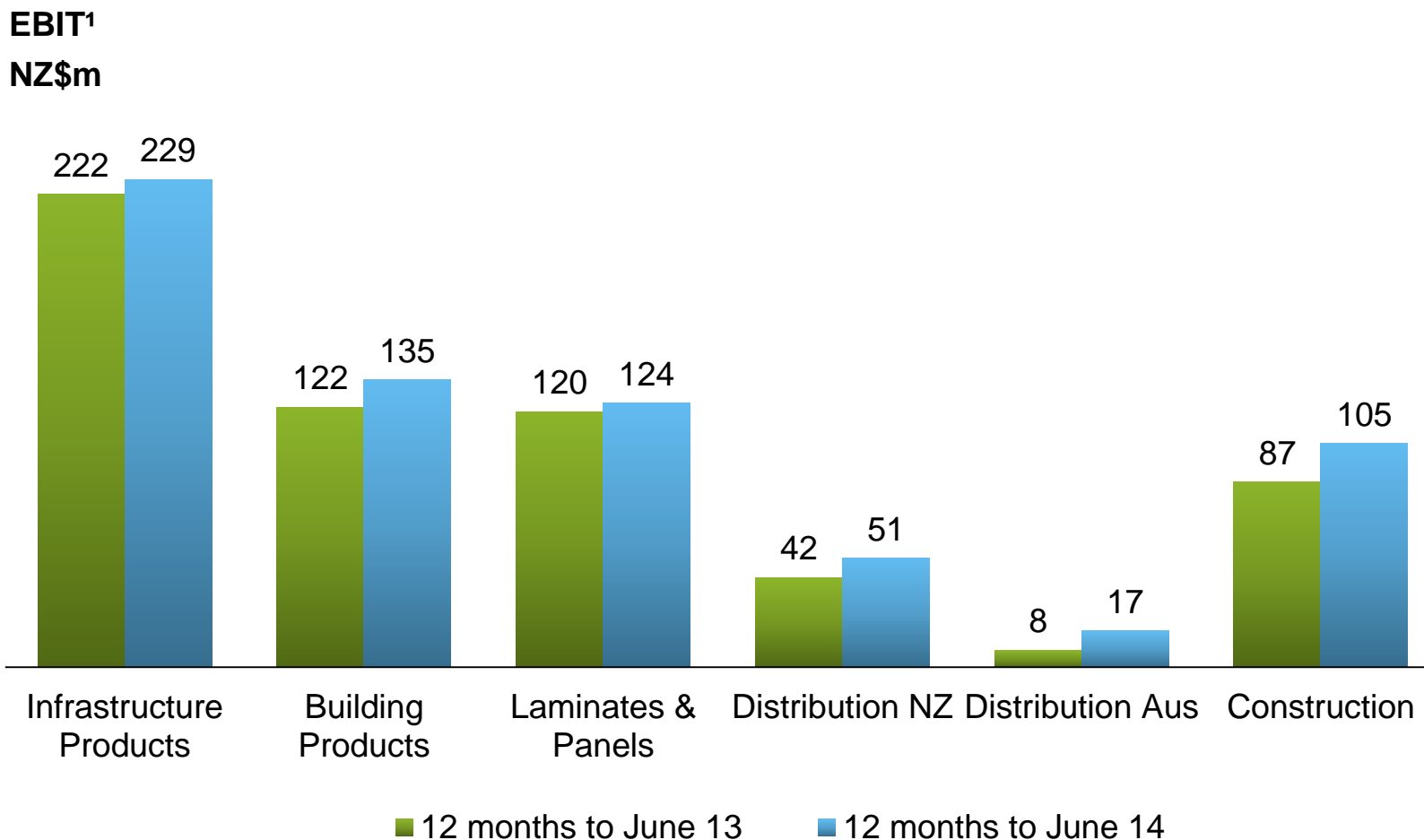


■ Year ended June 2013   ■ Year ended June 2014

1. Before significant items



# Every division increased operating earnings



1. Before significant items



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# Results Overview

## Dividend

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**36c ▲**  
DIVIDEND PER SHARE up 6%

- **Dividend Policy: target dividend pay-out in the range of 50% to 75% of net earnings**
- **Final dividend per share – 18 cents**

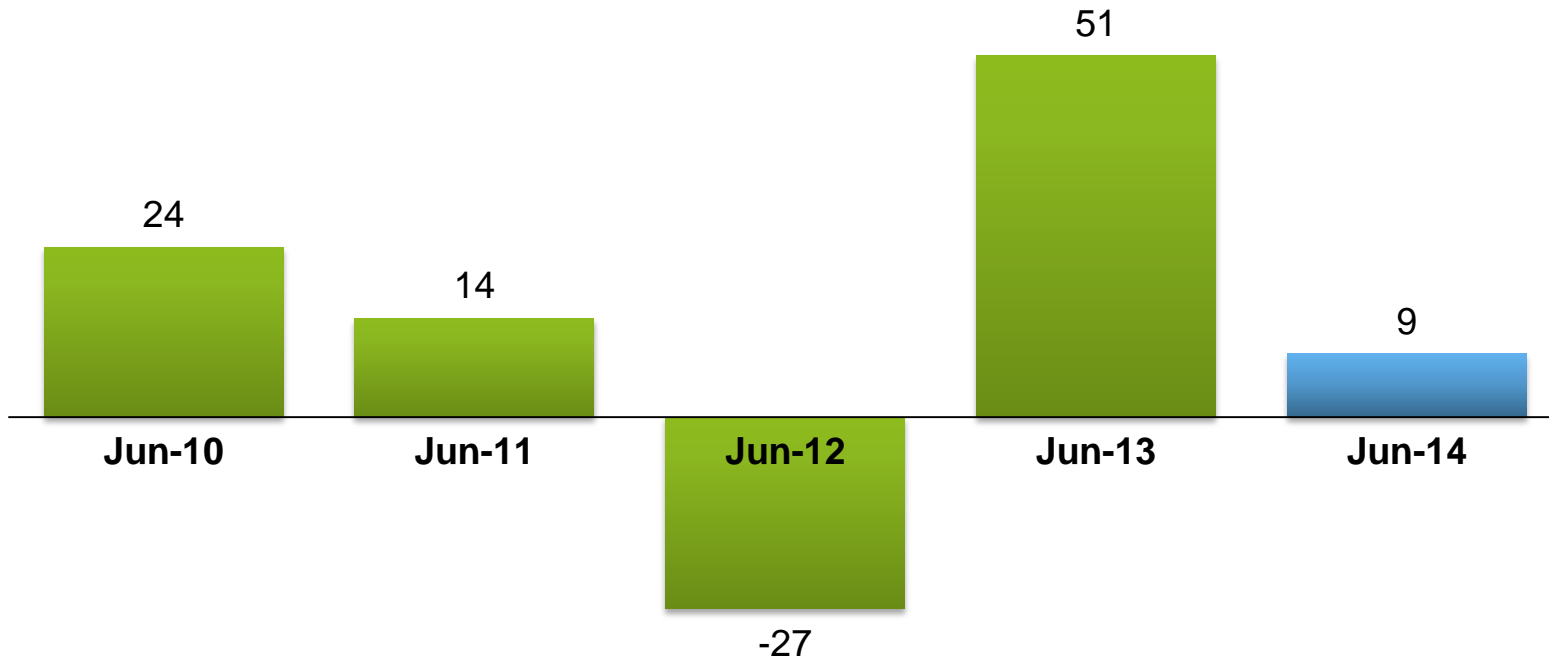


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# Total shareholder return: 9% for year to 30 June 2014

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## Total Shareholder Return (TSR) Percentage



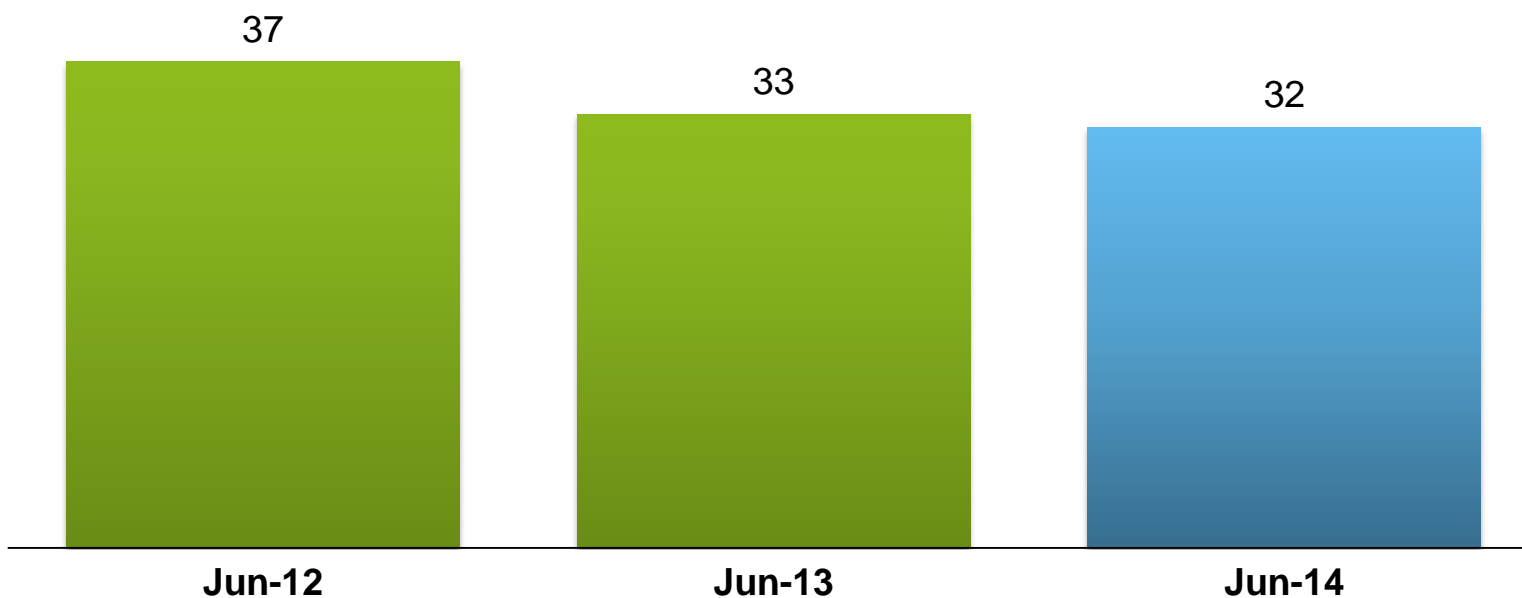
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# Maintaining a strong balance sheet

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## Net Debt/Net Debt Plus Equity Percentage

Gearing target range of net debt to net debt plus equity of 30% to 40%





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# Progress on strategic priorities

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Review of business portfolio: divestment of Pacific Steel and Hudson Building Supplies

\$25m in benefits from FBUnite

Expansion of NZ residential development business

New Formica plant in China commissioned

Employee development and engagement



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# Board changes

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Ralph Waters will retire from the board at conclusion of 2014 Annual Shareholders' Meeting

Sir Ralph Norris appointed Chairman to succeed Ralph Waters





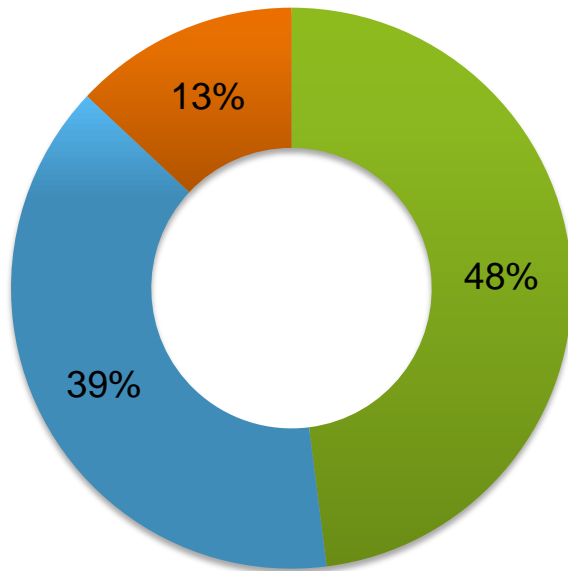
# Mark Adamson

## Chief Executive Officer

# Earnings mix reflects economic performance of key markets

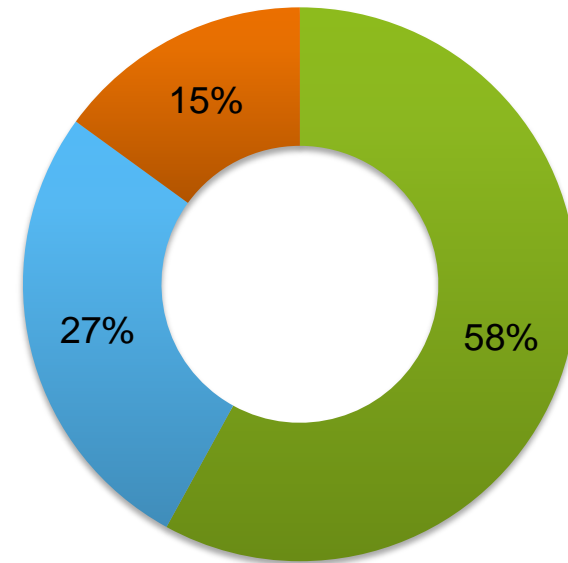
## Revenue

(12 months to June 2014)



## EBIT<sup>1</sup>

(12 months to June 2014)



■ New Zealand ■ Australia ■ Rest of World

■ New Zealand ■ Australia ■ Rest of World

1. Before significant items



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# Strategic priorities

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Productivity improvement

    FBUnite business transformation programme

Active portfolio management

Organic growth opportunities

Investment in people capability



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# Productivity improvement through FBUnite

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Transforming how Fletcher Building operates

Reducing operating cost base through centralisation of common functions

Developing future strategies and platforms for growth

Multi-year programme

Expecting pre-tax benefits of \$100 million per annum by 2018 financial year



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# FBUnite

## 2014 achievements

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\$25m in benefits delivered in FY2014

Procurement function delivered significant cost savings

Centralised property management team addressing 1,000 properties across New Zealand & Australia

Manufacturing excellence programme – establishment phase completed

IT and digital strategy completed

Financial Shared Services: deployment to be phased with ERP upgrades



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# Managing the portfolio of business

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Pacific Steel sold to Bluescope/NZ Steel

Sale followed strategic review of steel manufacturing  
Secured the future of long steel manufacturing in New Zealand

Sale of Hudson Building Supplies completed in September 2014

Crane Copper Tube closure – unable to compete with imports and product substitution





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# Delivering growth from existing business portfolio

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Organic growth delivered through:

- Market share gains

- Margin expansion

- Product innovation

- Geographic expansion

Capturing growth from economic cycle:

- NZ operating earnings<sup>1</sup> up 27%

- Strong volume increases in most NZ businesses

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1. EBIT before significant items



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# New Zealand Residential strategy update

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Broader offering of stand-alone and terrace homes, and apartments

Goal to increase number of homes sold each year to 1,000

Land acquisition has increased in Auckland for future development

Stonefields development will be largely built out by end of FY15

New sites also contracted in Canterbury



# Construction backlog up from \$1 billion to \$1.8 billion



**Waterview Tunnel**



**McKay to Peka Peka**



**Christchurch Justice and Emergency Services Precinct**

© Warren and Mahoney C/O: ebsi architecture



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# Tradelink: Operating earnings up strongly

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# New Formica plant commission in JuiJiang, China

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A large crowd of diverse people, many wearing green shirts, walking on a white surface. The crowd is dense and fills the right side of the frame, with some individuals walking away from the camera and others towards it. The background is a plain white surface.

**Our people.  
Stronger  
together.**



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# Investing in our people

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Fletcher Building Learning Academy provides targeted employee development:

- Leadership development

- Sales force effectiveness

- Talent assessment framework

FBUsay: Annual Employee engagement survey

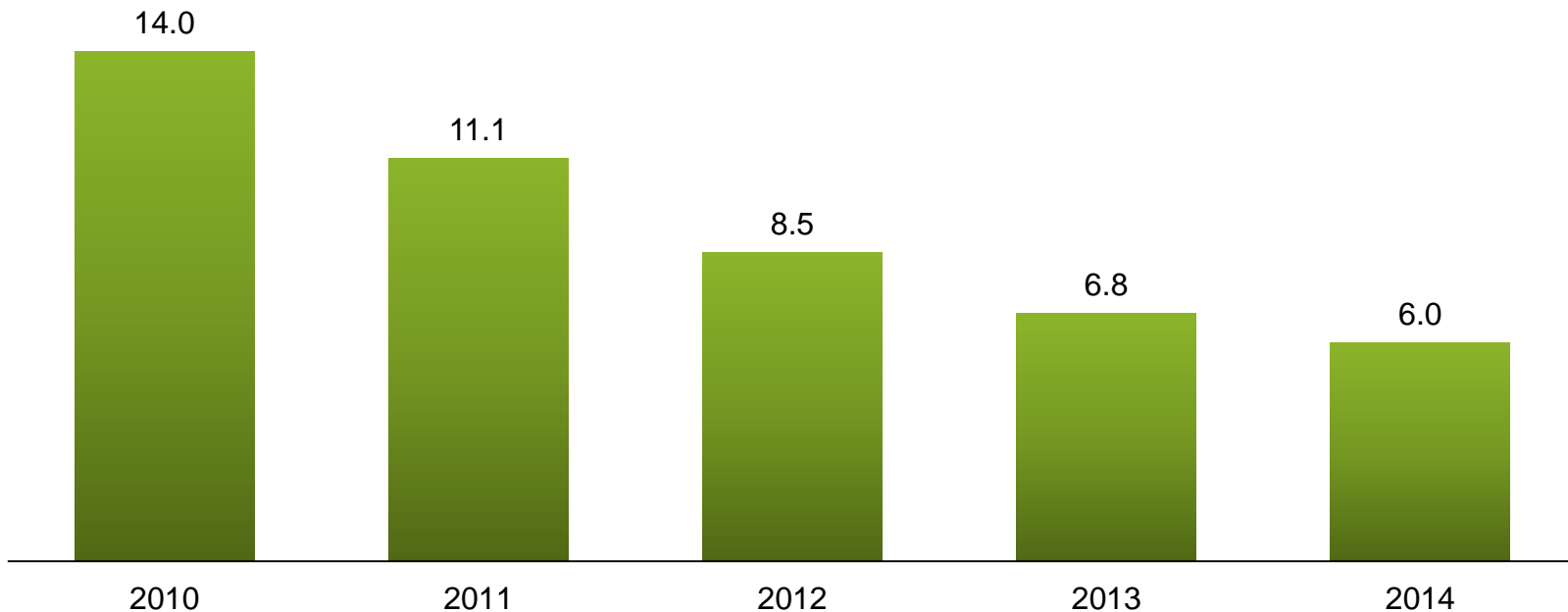


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# Continued improvement in Safety performance

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## Total recordable injury frequency rate\*



\* Total injuries per million employee and contractor hours





# Canterbury update



- Fletcher EQR: nearing completion of 70,000 permanent home repairs
- **Infrastructure repairs now half completed**
- Commercial rebuild gaining momentum with Government anchor projects now starting



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# Priorities for 2015

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Capture growth from the cycle

Improve operational performance through manufacturing excellence programme

Further investment in lifting effectiveness of sales and marketing activities

Pursue further \$25 million in benefits from FBUnite

Improve cash generation through focus on capex and working capital

Active portfolio management



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# Ralph Waters

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- Chief Executive Officer  
2001-2005
- Non-Executive Director  
2005-2010
- Chairman 2010-2014





# Ralph Waters

## Chairman

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# Outlook

## New Zealand and Australia

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### New Zealand

- Continued strong residential construction activity
- Residential consents expected to track above long term trend
- Civil infrastructure driven by ongoing government investment
- Positive trend in commercial consents will underpin non-residential sector

### Australia

- Improvement in stand-alone house consents will assist volumes
- Non-residential outlook less positive:
  - Declining mining investment
  - Reduced government expenditure on core infrastructure



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# Outlook

## Rest of World

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### North America

- Moderation in pace of new housing construction
- Commercial activity up-turn remains elusive

### Europe

- Modest improvement driven by stronger UK market

### Asia

- Further growth in South Eastern Asian markets
- China and Taiwan likely to be flat



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# Financial Outlook

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Earnings before interest, tax and significant items expected to be in the range of \$650 million to \$690 million

First half earnings likely to be broadly flat on the prior corresponding period

Second half earnings expected to be significantly ahead of the prior corresponding period





# Ralph Waters

## Chairman



# General Business



# 2014 Annual Shareholders' Meeting

*21 October 2014*