

# 2020 Annual Shareholders' Meeting

25 November 2020

Fletcher Building Limited  
Annual Shareholders' Meeting 2020

# Bruce Hassall

Chair



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# Directors

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**Martin Brydon**



**Barbara Chapman**



**Peter Crowley**



**Rob McDonald**



**Doug McKay**



**Cathy Quinn**



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# Meeting agenda

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**Chair's address**

**Chief Executive Officer's address**

**Voting on Resolutions**

**General Q&A**



# FY2020 a challenging year comprehensively and effectively dealt with

**1. Responded quickly to COVID-19 restrictions, shut down and start-up**

**2. Business well set up for FY21 and beyond**

**3. Remained focused on our overall plan, strategy and growth ambitions remain unchanged**

**Board and Management worked very closely at a rapid tempo to ensure impacts were well managed**



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## Responded quickly to NZ shut down and start up and Australia restrictions

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**Safely** shut down and restarted NZ businesses and dealt with Australia restrictions



Maintained **customer** service and performance



**People** and mental health and well-being, Support Hub App, Bridging Pay Programme (NZ govt supported), financial hardship fund in place



Strong **focus on costs and cash management**, but significant impact with lost earnings from stringent NZ shutdown, additional Construction provisions



## Actions taken to set up for FY2021 and beyond despite market uncertainty

### Actions

- Costs reduced and workforce reorganised to prepare for market uncertainty
- Board, Exec and GM remuneration reduced
- No bonuses under STI scheme
- Proactively renegotiated debt covenants to preserve liquidity
- No dividends paid for FY20, share buy back programme suspended

### Impact

- Fixed cost reduction of c\$150m in FY21
- Additional variable cost reductions to meet market activity
- Significant items (FY20 and FY21)
- Balance sheet strength preserved, strong liquidity



## FY2020 results at a glance

<p>Revenue</p> <p><b>\$7,309<sub>m</sub></b></p> <p>FY2019 \$8,308m</p>	<p>Net Earnings/(Loss)</p> <p><b>(\$196)<sub>m</sub></b></p> <p>FY2019 \$246m</p>	<p>EBIT*</p> <p><b>\$160<sub>m</sub></b></p> <p>FY2019 \$549m</p> <p>* Before significant items</p>	<p>EPS</p> <p><b>(23.5<sub>c</sub>)</b></p> <p>FY2019 28.8c</p>
<p>Cash flows from operating activities</p> <p><b>\$410<sub>m</sub></b></p> <p>FY2019 \$153m</p>	<p>Leverage ratio</p> <p><b>0.9<sub>x</sub></b></p> <p>Target range: 1.0-2.0x</p>	<p>EBIT margin</p> <p><b>2.2%</b></p> <p>FY2019: 6.6%</p>	<p>Dividend</p> <p><b>nil</b></p> <p>FY2019: 23.0cps</p>



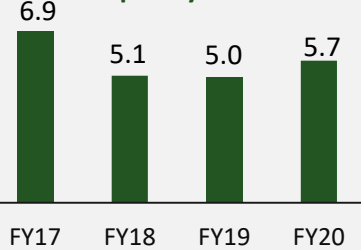


# FY2020 balanced scorecard

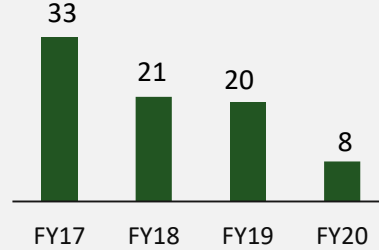
## Safety



Total Recordable Injury Frequency Rate <sup>1</sup>



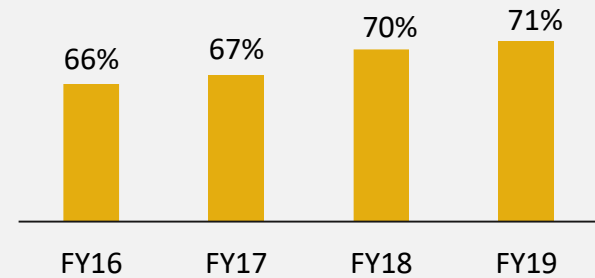
Serious Injuries <sup>2</sup>



## Engagement



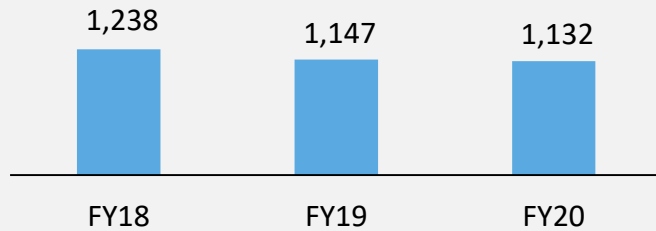
Employee Engagement Rating <sup>4</sup>



## Sustainability



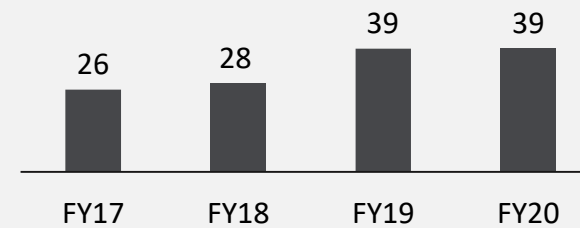
Carbon (CO<sub>2</sub>) Emissions (thousand Tonnes) <sup>3</sup>



## Customer



Net Promoter Score <sup>5</sup>



<sup>1</sup> TRIFR = Total no. of recorded injuries per million man hours worked. Does not include Restricted Work Injuries.

<sup>2</sup> Serious Injury include immediate treatment as an in-patient at hospital for more than 24 hours or immediate treatment for a serious injury or illness as defined by Safe Work Australia.

<sup>3</sup> Carbon data excludes emissions from the International division which was divested in FY19.

<sup>4</sup> Next employee engagement survey planned for FY21.

<sup>5</sup> Net Promoter Score calculated as % Promoters (9 - 10) minus % Detractors (0 - 6). Prior years have been restated to reflect inclusion of all Business Units in NPS programme



# Strong Governance through COVID-19 as well as action on safety, culture and performance

- Protect Reset and Protect Value launch
- Focus on delivery of strategy, listening to shareholders and actioning feedback

## Safety, Health, Environment and Sustainability Committee

- Safety leadership, culture and critical risk approach for safety
- 16 site visits; regional site visits during COVID-19
- Strategic commitment to reduce carbon emissions by 30% by 2030

## Remuneration Committee

- Culture focus through safety, people engagement, values, diversity, inclusion and incentives
- Supported our people through COVID-19
- Significantly enhanced remuneration disclosure

## Audit and Risk Committee

- Strong oversight on complexities through COVID-19, including banking, liquidity and balance sheet
- Risk management policy + framework refreshed; independent review
- Enhanced risk reporting disclosure



# Sustainability strategy



## FIRST

to set a Science Based Carbon Target in our Sector, in New Zealand and Australia



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



CCC	B	BB	BBB	<b>A</b>	AA	AAA
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Member of  
**Dow Jones Sustainability Indices**

Powered by the S&P Global CSA



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## Summary

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- FY20 a tough year for all stakeholders
- Proud of how our people and Board members worked together remaining focused on steering the Company through a challenging period while setting up for FY21 and beyond
- Pleasing year-to-date trading performance in FY21
- Balance sheet and liquidity strong
- Dividend:
  - Agreement in place with lenders to provide covenant relief, means FY21 interim dividend unlikely
  - Expect to resume dividend payments at year-end FY21, and for this to reflect a full-year of dividends



# Ross Taylor

Chief Executive Officer

Fletcher Building Limited  
Annual Shareholders' Meeting 2020



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## FY2020 tough year well handled

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### FY20

- Responded quickly to COVID-19 impacts
- Very proud of our people and their resilience
- Sig. items but strong cash & balance sheet

### FY21 set-up

- Positioned cost base for potential reduced activity in FY21
- Accelerated key ecommerce activities
- Debt lines and liquidity strong and available

### FY21 & beyond

- Strategy and growth ambitions remain unchanged
- Focus on profitability and operational excellence



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## Two years into strategy – Business is reset and stabilised

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*To be the undisputed leader in New Zealand and Australian building products & solutions*



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# Key areas we are driving

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**Safety**



**Customer**



**Operational  
disciplines**



**Business  
performance**



**Innovation and  
Sustainability**





# Positions us well to drive shareholder returns into the future



Focus



Consistency



Leveraged to upside



Strong balance sheet, strong cash flows



Well positioned for macro trends



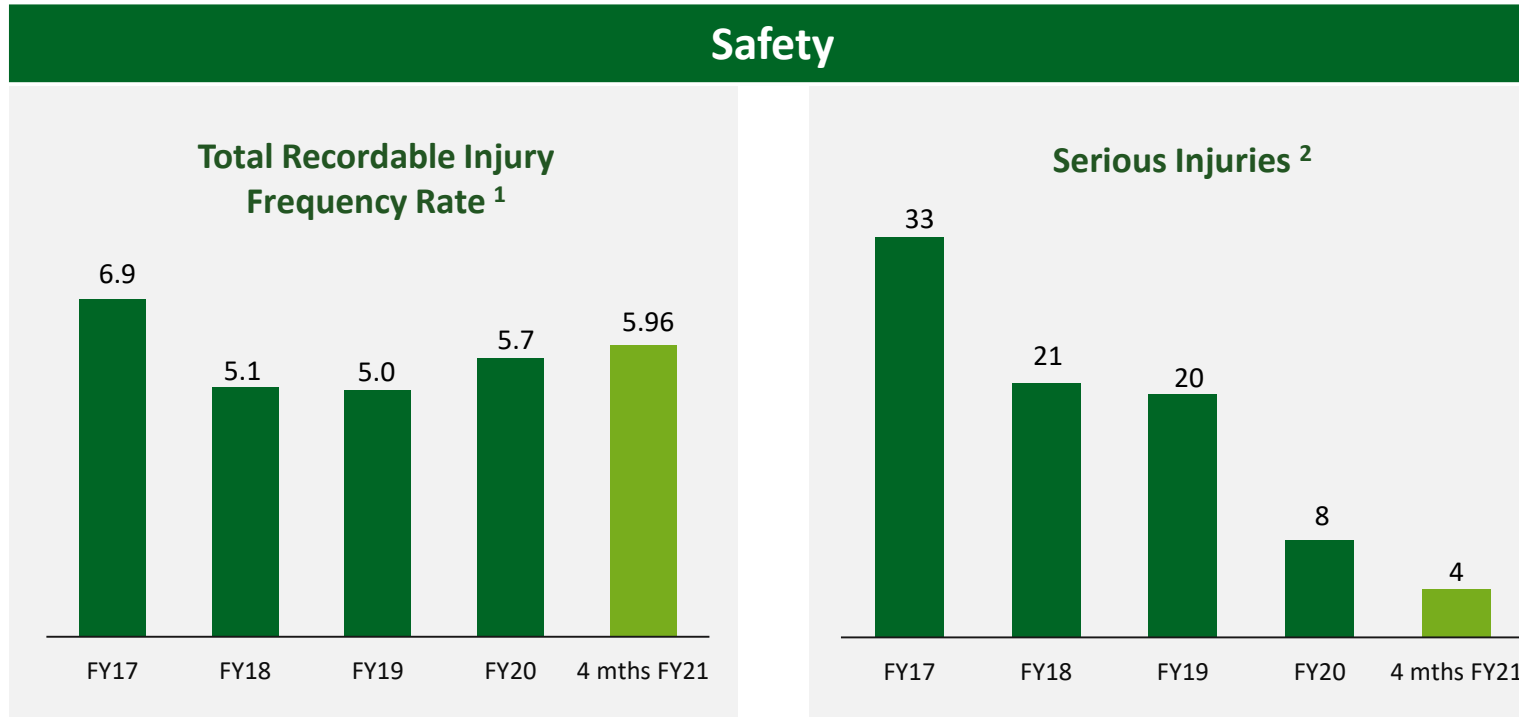
## FY23 Key Financial Targets

- Revenue growth > market growth
- Group EBIT margin >10%
- Return on Funds Employed (ROFE) >15%



# Trading update 4 months ended 31 October 2020

– Safety focus continues with a strong emphasis on critical risks



<sup>1</sup> TRIFR = Total no. of recorded injuries per million man hours worked. Does not include Restricted Work Injuries.

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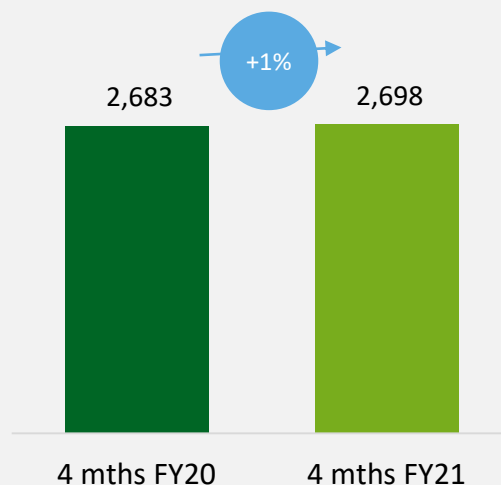


# Trading update 4 months ended 31 October 2020

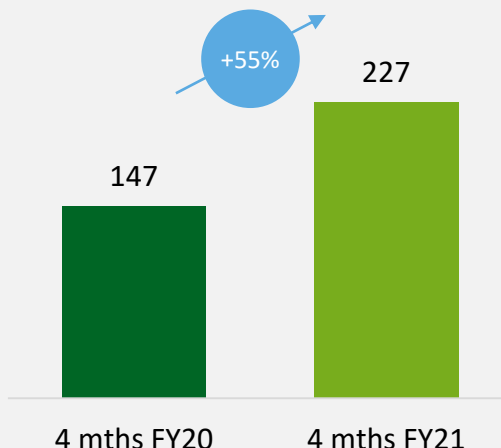
– Improved operating efficiency and margins across all businesses

## Performance and Growth

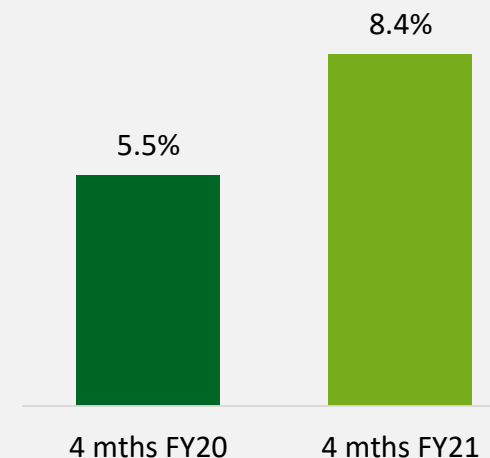
Revenue (\$b)



EBIT before sig items (\$m)



EBIT margin (%)






- Cash flow and balance sheet remain strong: net debt \$388 million, liquidity \$1.4 billion as at 31 October 2020

Note: Measures before significant items are non-GAAP measures used by management to assess the performance of the business



# NZ Core – Key focus areas

-  Building Products
-  Distribution
-  Concrete

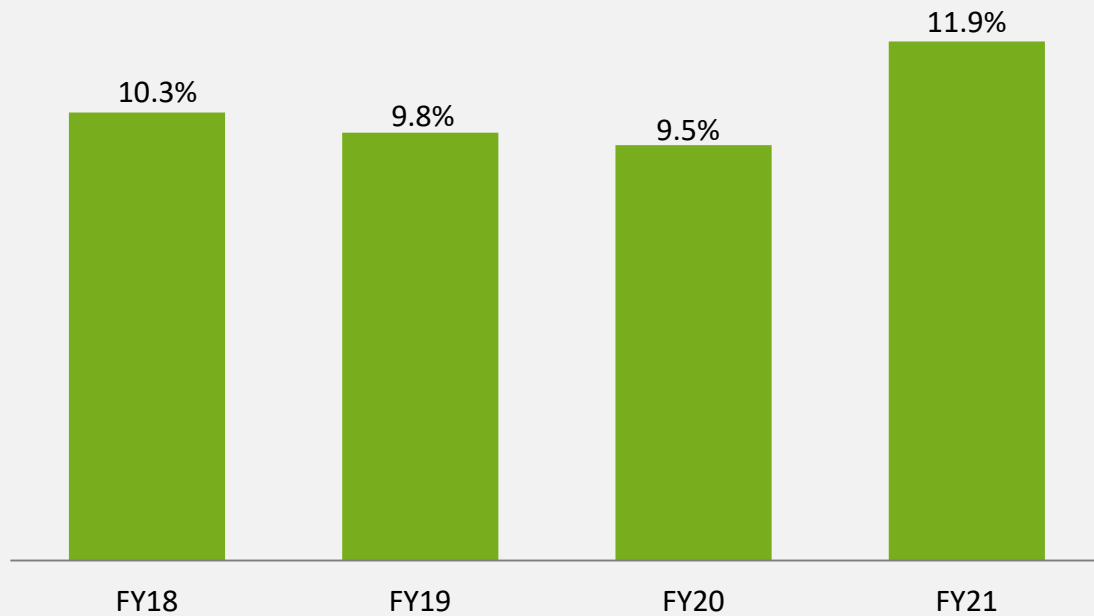


# NZ Core – What we are delivering

-  Building Products
-  Distribution
-  Concrete

## Operational excellence




EBIT Margin  
Jul-Oct, 2018-2021



## Product innovation & sustainability



# NZ Core – What we are delivering

-  Building Products
-  Distribution
-  Concrete

## Leading customer services & solutions, esp. via digital



PlaceMakers digitisation

>50k  
products online  
across **Distribution**  
by Jan-21



Track & trace delivery  
in PlaceMakers

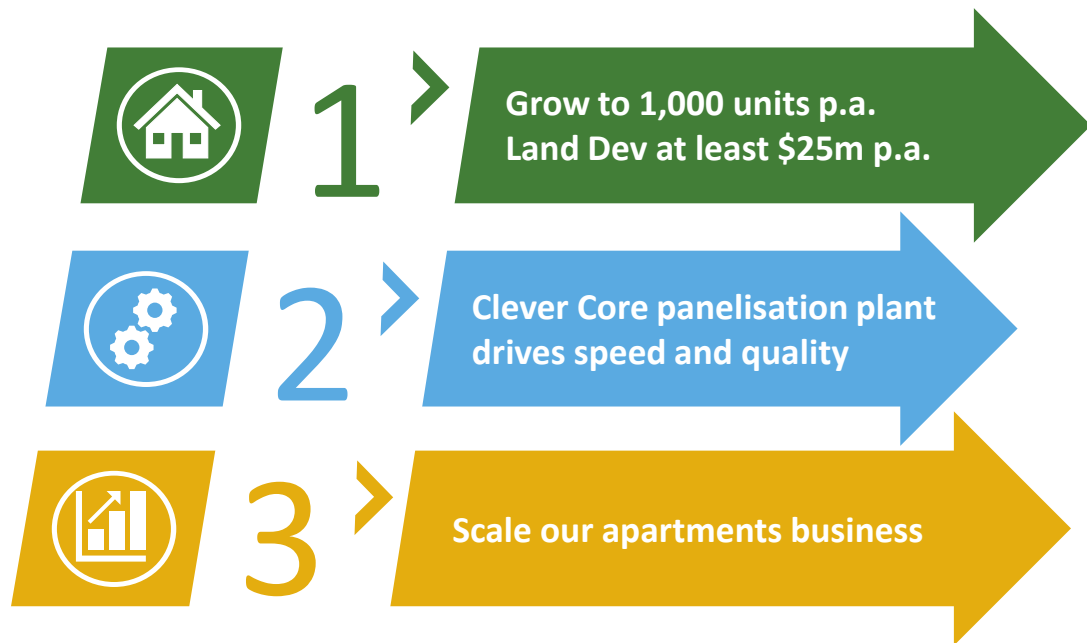
70%  
of all products delivered  
from a **PlaceMakers** branch  
have track & trace capability

~\$1.2m  
of website / digital sales for  
**Laminex NZ** in Oct-20

35%  
of **Firth's** trucks now  
digitally-enabled

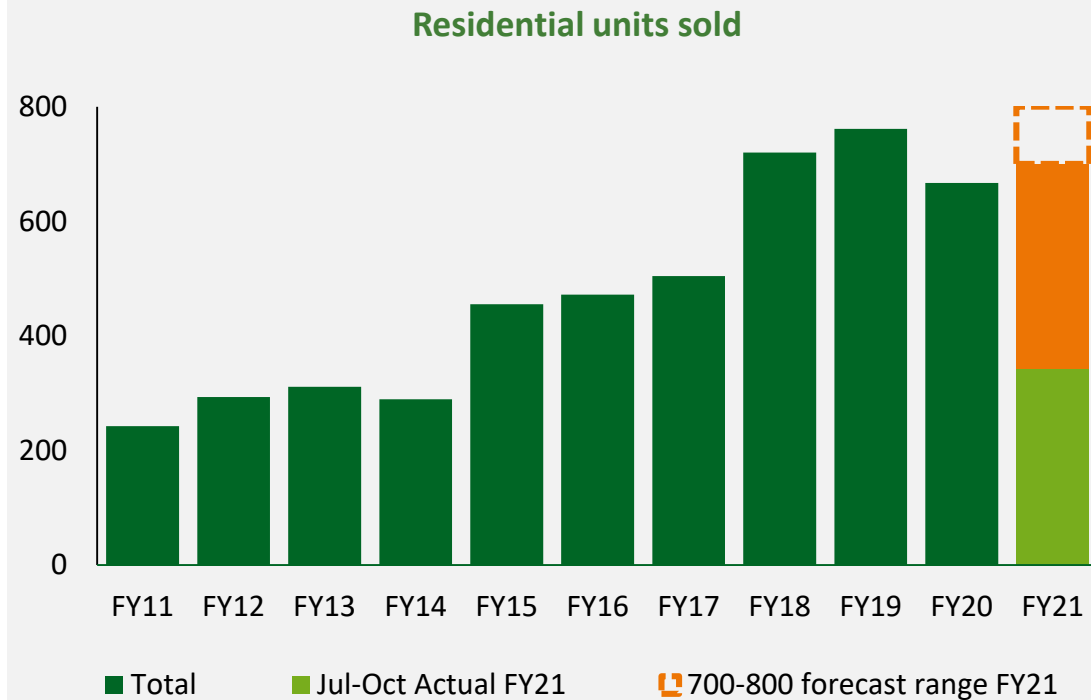


# Residential and Development – Key focus areas



# Residential and Development – What we are delivering

## Grow to 1,000 units p.a.



## Land Development continues at least \$25m EBIT p.a.

- Second transaction of former Crane Copper Tube site in Sydney forecast to settle in H2
- Sale of Rocla site in Brisbane expected in H2, and sale of Rocla site in Sydney planned for FY22
- Future pipeline of land sales from rationalisation of legacy FB sites plus growth of industrial development business





# Residential and Development – What we are delivering

## Clever Core panelisation plant drives speed and quality

- Productivity uplift, ability to significantly reduce build times vs. traditional stick build
- Building materials waste reduction, streamlined consenting and compliance process
- 61 units delivered to Fletcher Living to date, first external sales planned for FY22
- Mix of terraces, duplexes and standalone houses



## Scale our apartments business



- Opportunity to leverage density into own developments and standalone apartment sites
- Continue to deliver to our customers in a key pricing segment
- Committed pipeline of 250 apartments, progressively scale to c.200 p.a. by 2025, depending on market conditions

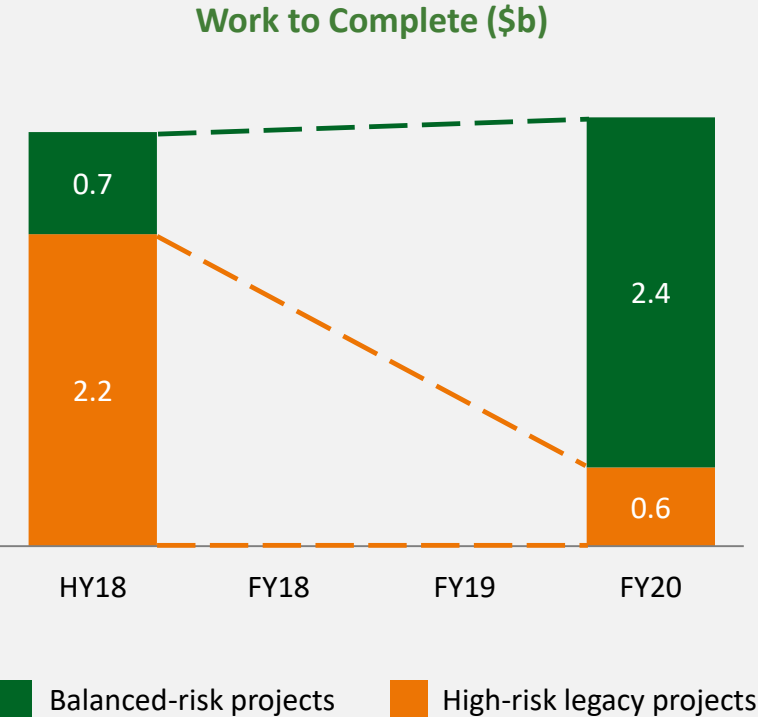


# Construction – Key focus areas



# Construction – What we are delivering

## Reshaping the risk profile of the order book



## Winning the right work with the right customers

- Watercare Enterprise Model, 10 year contract
- Auckland International Airport Runway
- AMETI<sup>1</sup> Eastern Busway Alliance
- Strong pipeline of pavement and maintenance



<sup>1</sup> Auckland Manukau Eastern Transport Initiative (AMETI)



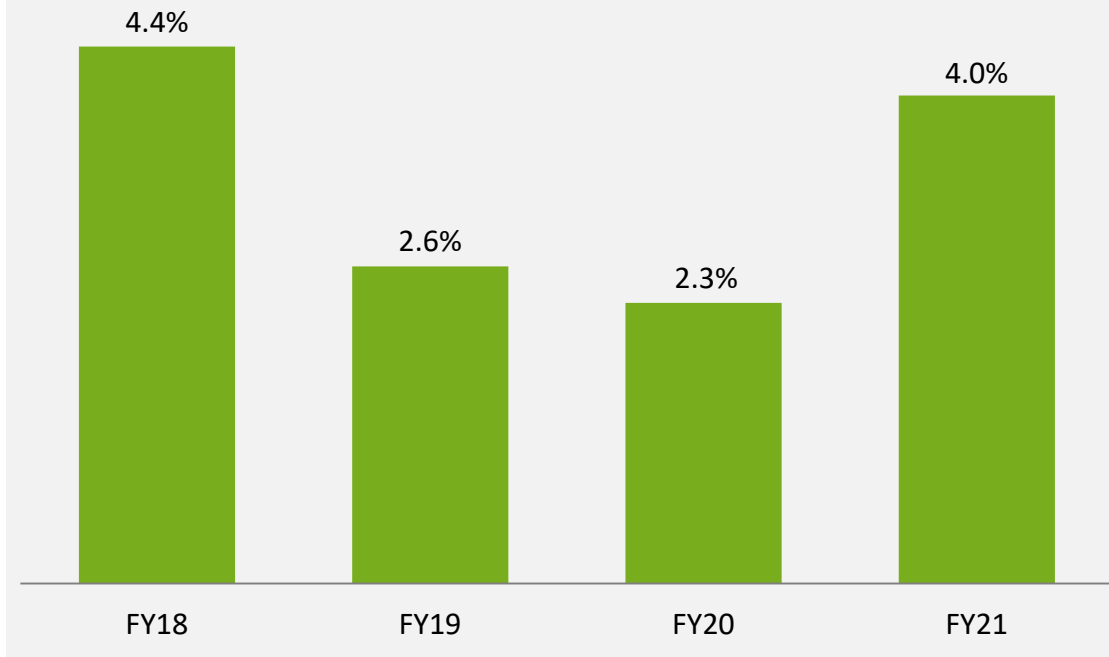
# Australia – Key focus areas



# Australia – What we are delivering

## Operational excellence

EBIT Margin  
Jul-Oct, 2018-2021



## Product innovation & sustainability



Laminex AU's largest product launch in 25 years



Fletcher Insulation's FirmaSoft



Stramit's Sharpline® roof



Oliveri's expansion into bathroom category, with its own brand vitreous china range

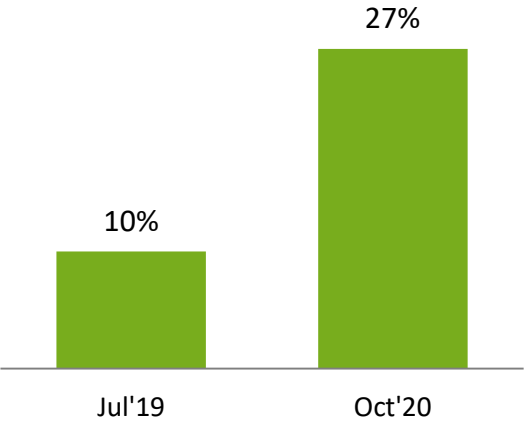
*Note: Measures before significant items are non-GAAP measures used by management to assess the performance of the business. FY18 and FY19 EBIT margins have been restated for the impact of IFRS16 lease accounting standard to ensure comparability with FY20 and FY21.*



# Australia – What we are delivering

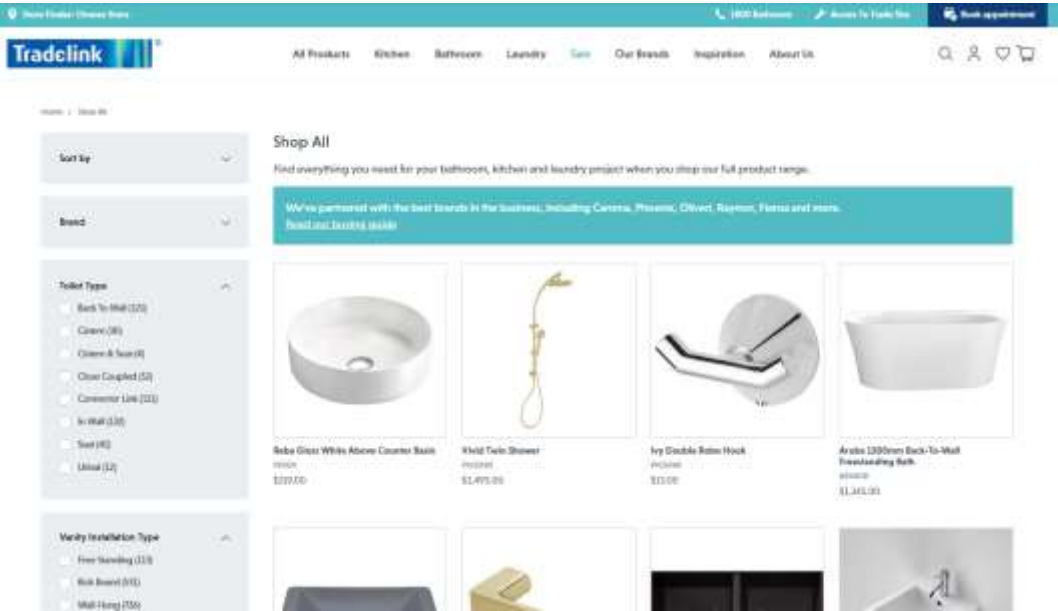
## Leading customer services & solutions, esp. via digital

Laminex % total customers digital sales



>\$170m

Laminex eCommerce revenue since launch in Apr-19



Tradelink's new B2C transactional website launched in Nov-20



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# FY2021 outlook

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## Market outlook

- 1H21 – volumes expected to remain in line with year-to-date trading: NZ slightly higher YOY, AU slightly lower YOY
- 2H21 – trading conditions less certain, impact of macro-economic factors on our markets not yet clear
- Further update on market activity will be provided at the 1H21 results announcement in February

## Earnings

- Benefiting from resilient trading conditions
- Our lower cost base positions us well for the remainder of the year
- 1H21 EBIT before significant items expected to be approximately \$305 to 320 million, compared to \$219 million in 1H20

## Capex

- FY21 capex expected to be approximately \$200 million, including c\$50 million for the new Winstone Wallboards plant



# Resolutions and Voting





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# Resolutions

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## Ordinary Resolutions

- Resolution 1 – Re-election of Martin Brydon
- Resolution 2 – Re-election of Barbara Chapman
- Resolution 3 – Re-election of Bruce Hassall
- Resolution 4 – Auditor fees and expenses



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# Important Information

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This presentation has been prepared by Fletcher Building Limited and its group of companies (“Fletcher Building”) for informational purposes. This disclaimer applies to this document and the verbal or written comments of any person presenting it.

This presentation dated 25 November 2020 should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in the 2020 Annual Report (together with management commentary) published on 19 August 2020 and the Company’s trading update dated 10 November 2020.

In certain sections of this presentation, Fletcher Building has chosen to present certain financial information exclusive of the impact of significant items and/or the results of the businesses divested in the year ended 30 June 2019. For the 12 months ended 30 June 2020, the Group’s financial statements are prepared in accordance with the new lease accounting standard NZ IFRS 16, adopted from 1 July 2019. In prior periods, lease costs were fully reported in EBIT. Under NZ IFRS 16, the two components of lease costs are reported separately: (1) the depreciation of right-of-use assets is reported in EBIT and (2) the deemed interest portion of the lease liability is reported in lease interest expense. Financial tables in this presentation (where indicated) show both the reported result for the prior period, as well as a pro forma restatement of the prior period to illustrate the impact of NZ IFRS 16 had it been applied and to allow for a like-for-like comparison. A number of non-GAAP financial measures are used in this presentation which are used by management to assess the performance of the business and have been derived from Fletcher Building’s financial statements for the 12 months ended 30 June 2020. You should not consider any of these statements in isolation from, or as a substitute for the information provided in the Financial Statements for the 12 months ended 30 June 2020, which are available at [www.fletcherbuilding.com](http://www.fletcherbuilding.com).

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