

# Construction

## Phil Boylen, CE

Fletcher Building Limited





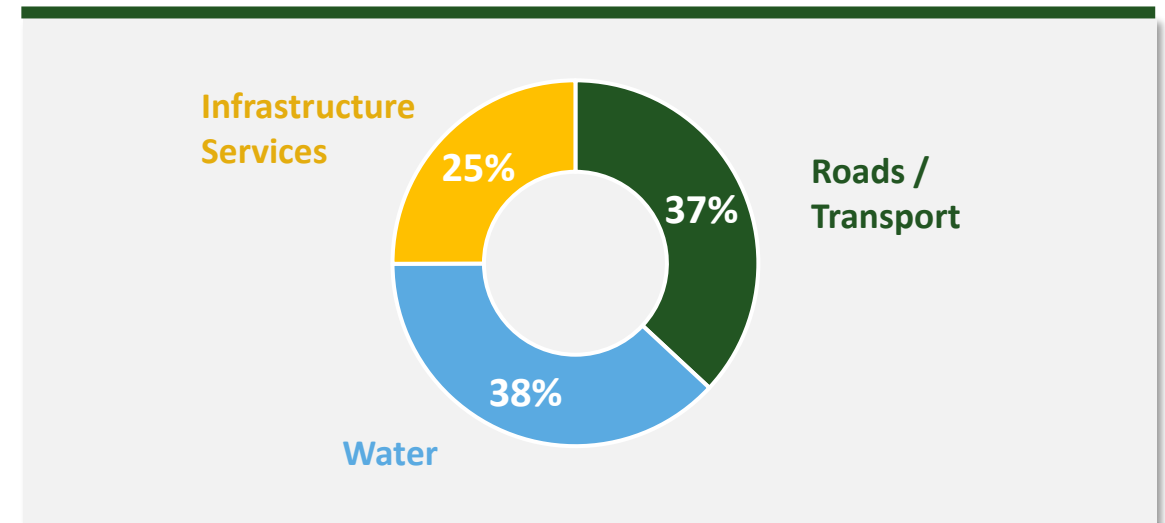
# Fletcher Construction is a leading NZ focused infrastructure construction & maintenance specialist

- Focused on **infrastructure construction & services** with **lower-risk order book of \$2.2b**
- Positioned in **growth sectors** of transport, water and marine with a strong pipeline of public-sector funded works
- Regional self-delivery model, with specialised civil equipment and asphalt production base
- Balance of long-term maintenance contracts, multi-year framework agreements, specialist small works and major engineering projects

## Strong, iconic brands



## Revenue Weighted Sector Exposure<sup>1</sup>



# FCC's size & focus has been reset to a lower volume of better quality work

## Key financial metrics<sup>1</sup>

**c.\$1.2b divisional revenue**

**@ c.2.6% EBIT margin**

**Higgins & BPC EBIT margin: c.4.5%**

## Strong attributes

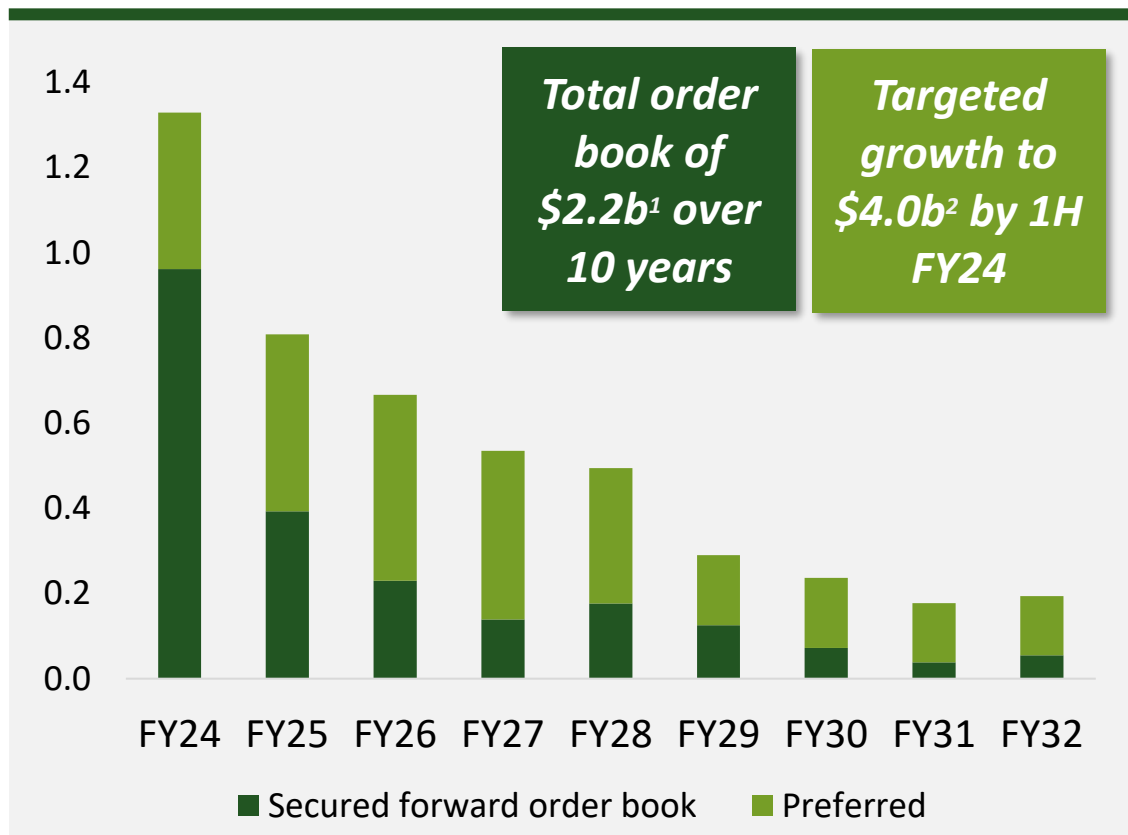
- **Focused exclusively into the critical infrastructure market**
- Multi-year programmes across transport, water and civil works
- Businesses competitively positioned with engineering, specialist self-perform teams & regional manufacturing footprint
- Well through legacy projects allowing focus on core services brands & new multi-year alliances
- Entering FY24 well-committed with the business 82% sold on revenue & 72% on margin
- Target TRIFR for FY24 of <2.5

## Non-financial metrics

SAFETY	CUSTOMER	ENVIRONMENT	PEOPLE
<b>2.7</b> (TRIFR <sup>2</sup> )	<b>30</b> (NPS)	<b>-11%</b> (CARBON <sup>3</sup> )	<b>25</b> (FCC eNPS)

The committed forward order book sits at a strong 1.8x revenue at average gross margins of 12% with a further preferred of c.\$2.5b revenue

### Orderbook Profile (\$bn)



### Profile of forward work

- Forward order book primarily lower-risk forms of contracts
  - Alliances, national and local maintenance contracts, and cost-plus / measure & value
- Strong pipeline of preferred projects c.\$2.5b (Riverlink, East Coast Recovery Alliance, Eastern Busway, Taxiway Mike, others)
- EBIT margins of c.5% on new work
- Strong NZ infrastructure market, our exposure is to roading, water, airports, marine – also creates synergies with Concrete Division





# Detailed programme of works, repeatable self-delivered scope

## Watercare Enterprise Model



- Partnership for the delivery of water and wastewater infrastructure for Auckland
- Works include upgrading and expanding network of pipes, pump stations and treatment plants
- \$1.2b+ contract over 10 years to 2029
- Early Contractor Involvement in negotiated packages of low to medium risk work averaging \$50m
- Construction packages largely self-delivered by Brian Perry Civil





# Responding to critical infrastructure requirements across the regions



*Remediation of significant damage to critical roads*

## East Coast Recovery Alliance

- Multi-year agreement to deliver the required major civil construction work include roads, bridges & rail corridors in the Hawkes Bay Region
- Construction costs estimated >\$850m<sup>1</sup> over 6 years
- Negotiated packages of work – target cost (risk is capped at margin)
- Scheduled to execute Project Alliance Agreement mid-July – converts to orderbook
  - Recovery works underway already





# Margin improvement through lower-risk form of contracts

## How we are driving performance



- Driving performance through Alliance based contracts that meet specified risk profiles with two new foundation projects:
  - **Eastern Busway Auckland** (\$800m+ construction value)
  - **RiverLink Wellington** (\$600m+ construction value)
- Negotiated project budgets built up through collaborative framework with the customer – risk is capped at margin
- This transition is forecast to **generate meaningful contributions to earnings** beyond FY24F
  - Projects support the pull-through of specialised services (Higgins & Brian Perry Contractors) and broader Fletcher Building products





# Focus is on delivering margin improvement over the medium term to get to 5% EBIT margin

1

Legacy projects materially completed, teams focused on delivery of new work from a high quality orderbook in critical infrastructure (water, marine, airports & roads)

2

New & lower-risk major projects – Wellington RiverLink & Auckland Eastern Busway will start generating substantive returns

3

East Coast Recovery Alliance provides further scale to Higgins regional project & maintenance programmes







# Medium term portfolio outlook

