## **Construction** Phil Boylen, CE





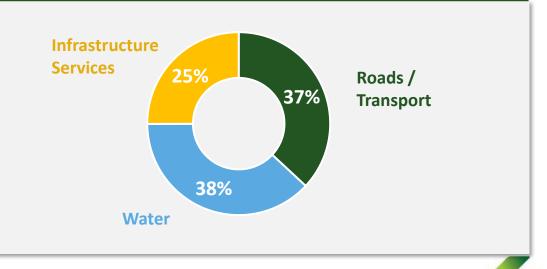


# Fletcher Construction is a leading NZ focused infrastructure construction & maintenance specialist

- 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%

#### **Non-financial metrics**

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

#### 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



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1. FY24 forecast, excludes Buildings BU being wound up with remaining legacy projects to complete

2. TRIFR = Total no. of recorded injuries per million hours worked. Does not include Restricted Work Injuries. YTD23 = 10 months ended 30 Apr 23 3. Combined Scope 1 & 2 carbon emissions. 12 months ended 31 Mar 23 vs FY18 baseline.

# 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

#### 1.4 Total order Targeted book of growth to 1.2 *\$2.2b<sup>1</sup> over* \$4.0b<sup>2</sup> by 1H 1.0 10 years FY24 0.8 0.6 0.4 0.2 0.0 FY24 FY25 FY26 FY27 FY28 FY29 FY30 FY31 FY32 Secured forward order book Preferred

#### **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



<sup>1.</sup> Continuing operations only (i.e. excludes remaining NZ buildings work to complete) 2. \$2.2b opening orderbook on continuing operations (i.e. excl. NZICC) plus \$2.5b preferred projects less orderbook reduction from 1H FY24 revenue \$0.65b continuing operations

### 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



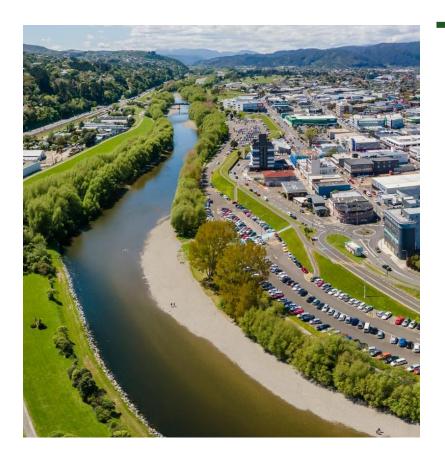
Remediation of significant damage to critical roads

#### **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

MARKET	<ul> <li>~\$172b infrastructure spend next decade, NZ govt committed ~\$62b in '22 Budget for 2022 to 2026<sup>1</sup></li> <li>Roads (44%) &amp; water (19%) - well positioned to capture a large share of this activity</li> </ul>	
ORDER BOOK	<ul> <li>Strong orderbook of \$2.2b, expected to grow beyond \$4b by end of 1H FY24</li> <li>Well positioned with key infrastructure customers to deliver their programmes with specialised regional crews and equipment</li> </ul>	Targeted & robust pathway to 5% EBIT over next 24 months
PROFITABILITY	<ul> <li>Clear enablers now in place to drive better profitability through reset workbook</li> <li>Large investment in past 24 months upgrading systems and processes to support productivity and risk management</li> </ul>	

