



Fletcher Building Investor Day June 2023

21 June 2023

Proven & capable leadership team with strong tenure

Fletcher Building Group Team



**ROSS
TAYLOR**
Chief Executive
Officer



**CLAIRE
CARROLL**
Chief People Officer



**WENDI
CROFT**
Chief Health and
Safety Officer



**BEVAN
McKENZIE**
Chief Financial
Officer



**ANDREW
CLARKE**
Group General
Counsel &
Company Secretary



**JOE
LOCANDRO**
Chief Information
Officer

Operational Leaders



**PHIL
BOYLEN**
Chief Executive
Construction



**DEAN
FRADGLEY**
Chief Executive
Australia



**BRUCE
McEWEN**
Chief Executive
Distribution



**STEVE
EVANS**
Chief Executive
Residential &
Development



**HAMISH
McBEATH**
Chief Executive
Building Products



**NICK
TRABER**
Chief Executive
Concrete



Investor Day Agenda

Section	Presenter	AEST / NZT	Duration
1. Overview	Ross Taylor / Bevan McKenzie	6:30am / 8:30am	40 mins
2. Concrete	Nick Traber	7:10am / 9:10am	20 mins
3. Building Products	Hamish McBeath	7:30am / 9:30am	20 mins
4. Distribution	Bruce McEwen	7:50am / 9:50am	20 mins
<i>Coffee break</i>		<i>8:10am / 10:10am</i>	<i>15 mins</i>
5. Construction	Phil Boylen	8:25am / 10:25am	20 mins
6. Residential and Development	Steve Evans	8:45am / 10:45am	20 mins
7. Australia	Dean Fradgley	9:05am / 11:05am	20 mins
8. Concluding Remarks	Ross Taylor	9:25am / 11:25am	5 mins



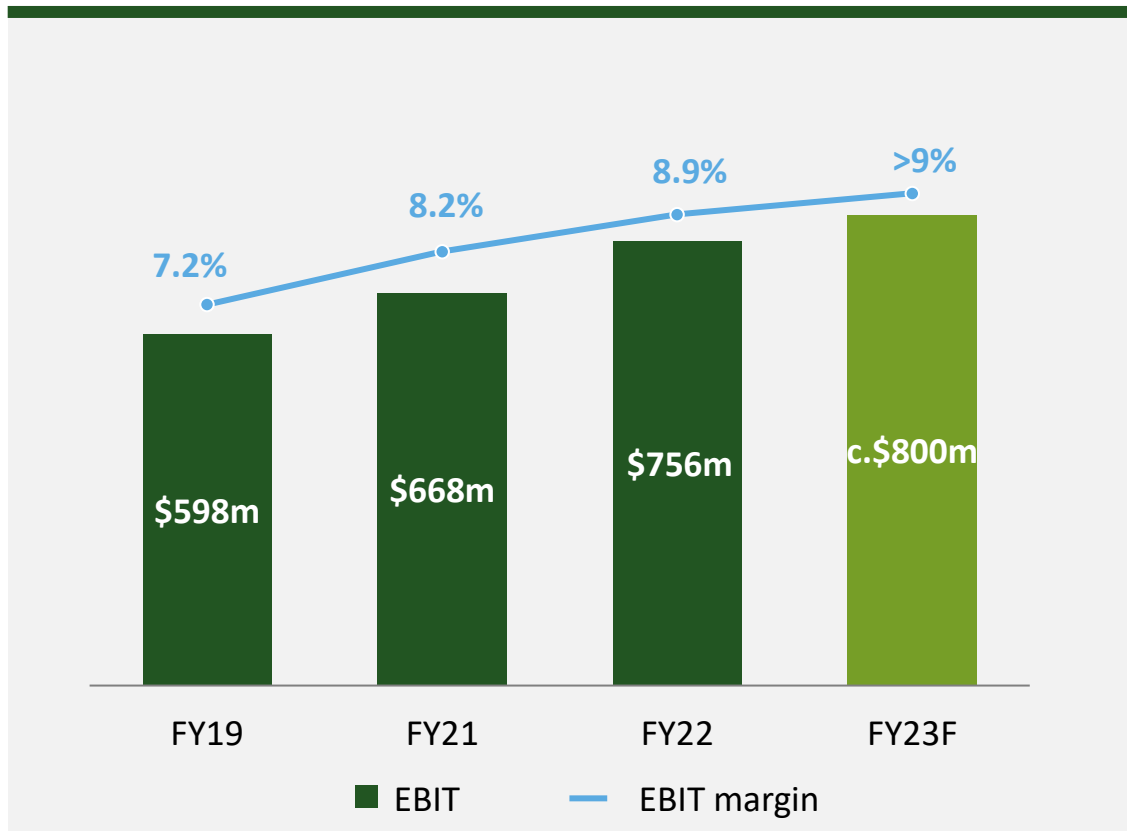
Outlook

Ross Taylor, CEO



FY23 EBIT expected to be c.\$800m; margins >9%, solid performance despite softer market & wet weather in 2H23

EBIT (\$m) and EBIT Margin (%)



Drivers of FY23F Financial Performance

- **NZ & AU Materials & Distribution:** market activity softer in 2H23, also impacted by wet weather. Overall FY23 volumes 5%-7% below peak in 2H22. Margins robust on pricing/cost control
- **Residential & Development:** c.650 house sales in FY23, below prior target but a good performance in a tough housing market. Ind. Devt. earnings of c.\$30-40m
- **Construction:** in line with guidance, strong order book
- **Cash flows** strong in 2H23
- FY23 EBIT of c.\$800m excludes Significant Items. Iplex Australia Pro-fit costs will be classified as a Significant Item; previously announced A\$15m provision as we work through cause and extent of the issues



FY24, expect market to tighten further, focused on performing through the cycle (TTC), will continue with committed growth investments

NZ & AUSTRALIA MATERIALS & DISTRIBUTION

- Expect c.8% market volume decline in FY24 vs. FY23, softer residential, ongoing solid commercial / infrastructure
- Focused on preserving operational gains through FY24 as we drive medium term margin improvements

RESIDENTIAL & DEVELOPMENT

- Market showing signs of stabilising, targeting c.700-800 unit sales in FY24
- Average YoY margins likely to contract in FY24 before recovery in FY25
- Maintain tight control of funds invested in the business until housing market recovers

CONSTRUCTION

- Go forward business focused on strong operational disciplines and building on the high-quality order book
- Convention Centre close to completion / work through Legacy Project disputes

ORGANIC GROWTH

- Strong organic growth plans continue, committed investment of \$800m+ FY23-FY26. Leverage (Net Debt / EBITDA) will lift in FY24 on growth investment & FCC legacy cash outflows, but remaining within target 1x-2x range. Strong liquidity in place



Construction legacy projects nearing conclusion; remaining risks to manage are related mainly to claim settlements

Pūhoi to Warkworth motorway (P2W)

- Fletcher Construction (FCC) is a 50-50 JV partner with Acciona
- Opened in June 2023, some deferred works to complete through FY24
- Project has lodged a number of claims (>\$200m, of which FB share is 50%), mainly related to COVID delays. Successful resolution of these claims needed to hold current project provision – cash receipts assumed to flow in FY25 (see slide 31)

International Convention Centre (NZICC)

- Continuing to track to target completion in late 2024; nearly fully procured; building weather-tight in Nov 2023
- Cost risk reducing as scope is better defined, risk estimated at \$0m-\$50m
- Assume we will secure remaining insurance proceeds c.\$150m, plus c.\$50m 'BAU' client revenues (i.e. for work that was still to complete at time of fire)
- As completion nears, dispute with SkyCity possible. No claims received to date and project forecast does not allow for any

All other legacy projects (c.80 in total) now complete, disputes/defects have emerged in a small number of projects

- Wellington International Airport claim for remedial works on carpark project: c.\$40m claim, which FCC disputes







Medium Term Outlook

Fletcher Building Limited



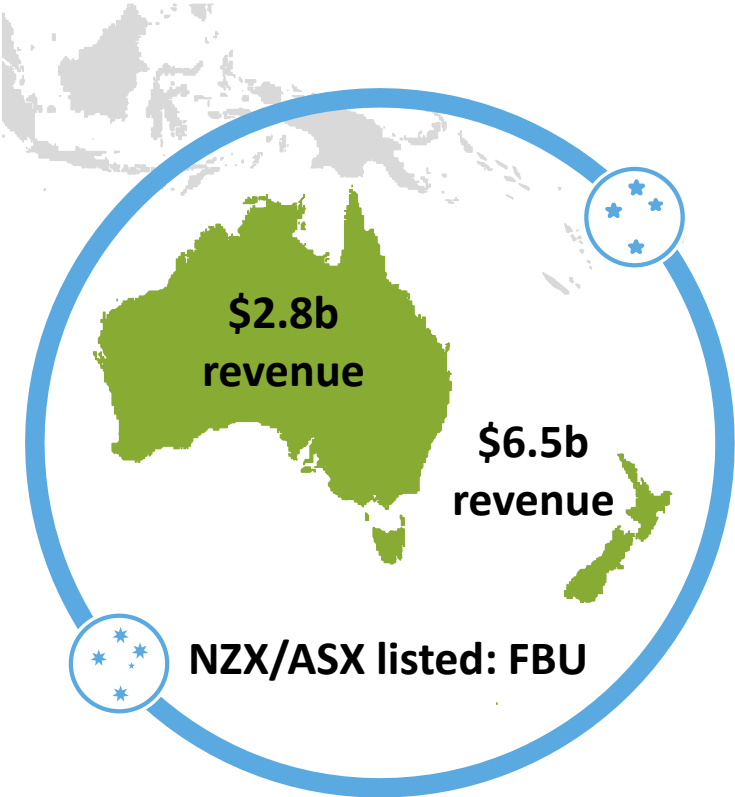
FB is focused on the NZ & AU Building Sector: this sector is attractive, resilient & is supported by long-term macro tailwinds

Isolated markets	Population growth	Disruption opportunities	Stable government
			
<p><i>Geographic isolation & relative smaller market scale, provide natural hurdles for imports & disruption</i></p>	<p><i>Population growth (incl. net migration) + Housing & infrastructure deficits underpin long term solid overall sector growth</i></p>	<p><i>Sector generally & region specifically have been slow adopters & innovators relative to other sectors – creating disruption & “step” opportunities in the value chain</i></p>	<p><i>Economy & politics are stable, transparent & feature strong governance</i></p>

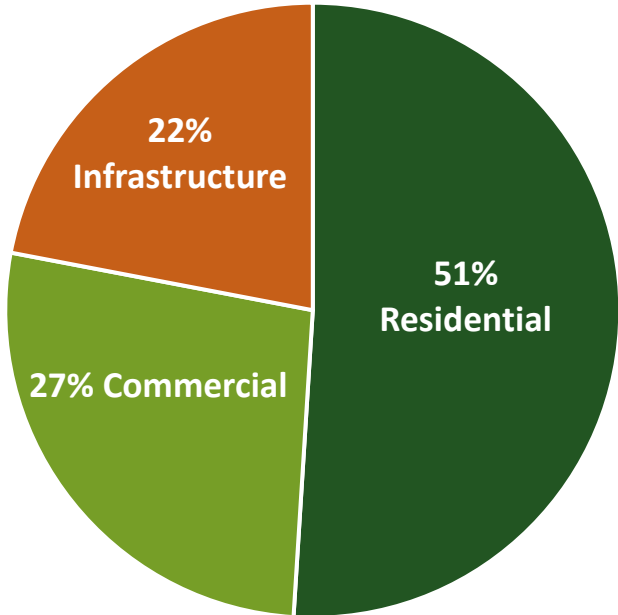


FB has a highly attractive & diverse set of businesses across the building value chain

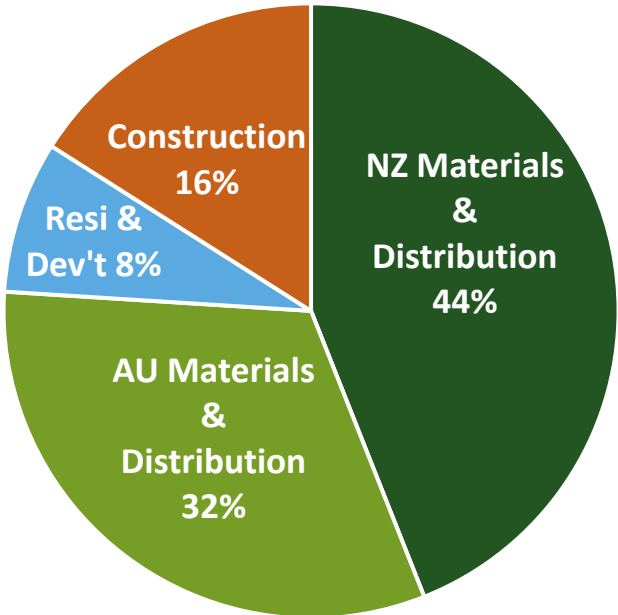
Focus across NZ & Australia



Revenue weighted to market



Value chain revenue



We invest in businesses across the building products & solutions value chain that align with our purpose

OUR PURPOSE

“

IMPROVING THE WORLD AROUND US THROUGH SMART THINKING, SIMPLY DELIVERED



We identify the **ATTRACTIVE MARKETS & SECTORS** we believe we can win in



We hold businesses:

- That are or can be **#1 or #2** in their markets
- Which have or can achieve, **SUFFICIENT SCALE** to allow investments to position the business with a **SUSTAINABLE COMPETITIVE ADVANTAGE** against local & global competition



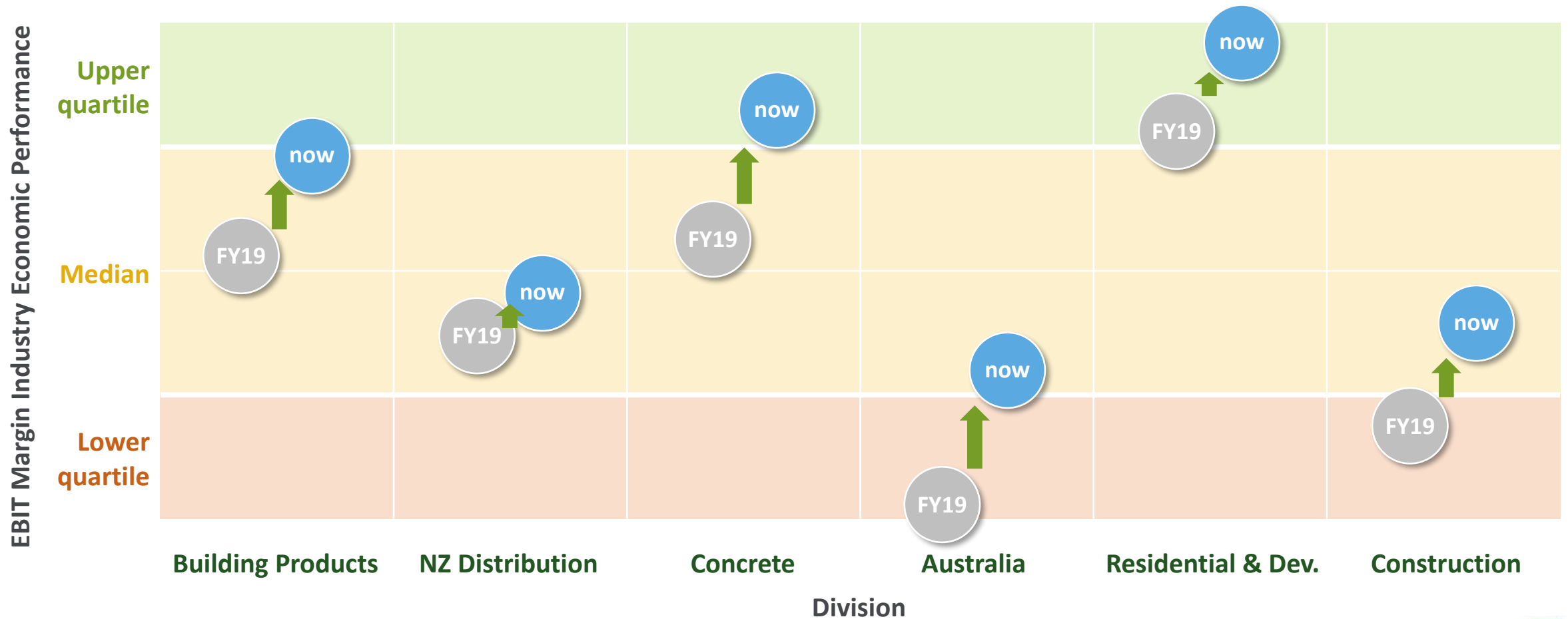
We source, understand & **APPLY GLOBAL BEST PRACTICE** in the local market context to each business ensuring a **SUSTAINABLE COMPETITIVE ADVANTAGE** can be achieved



We drive performance in each business through a now proven set of operating disciplines

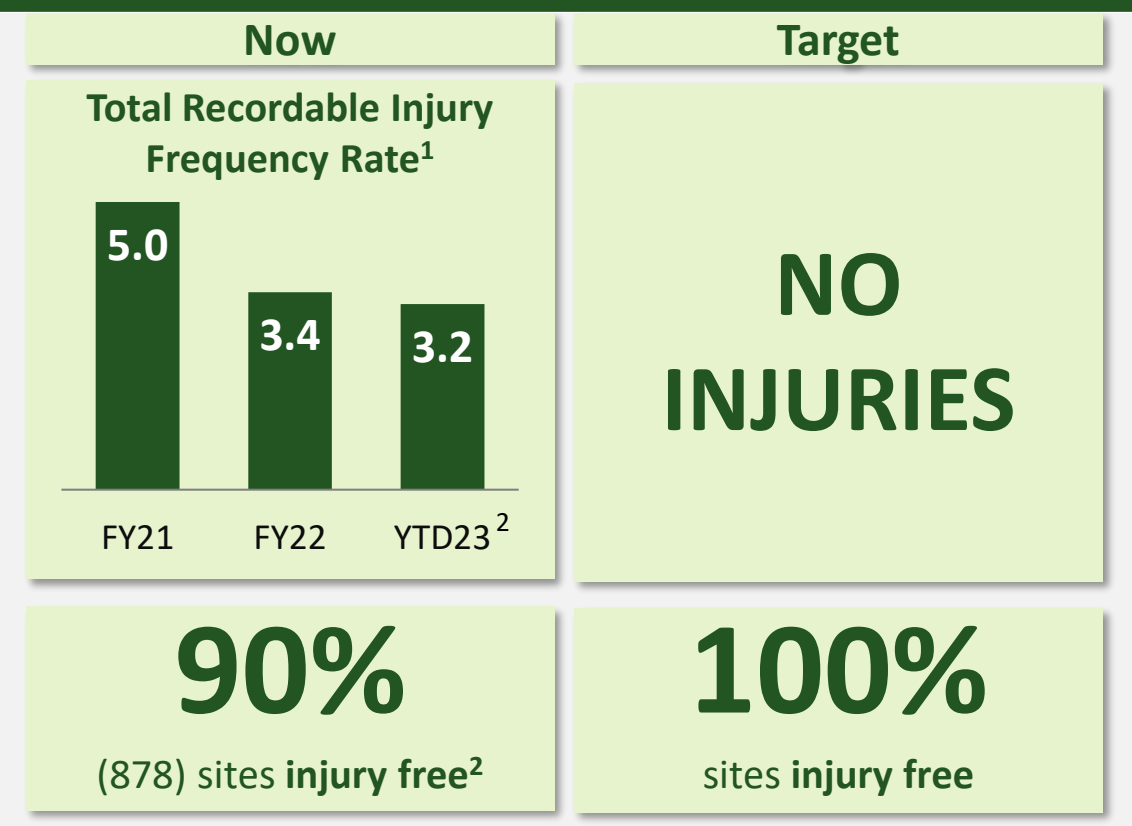


This has seen us drive material margin performance improvements across all our businesses over the last few years...

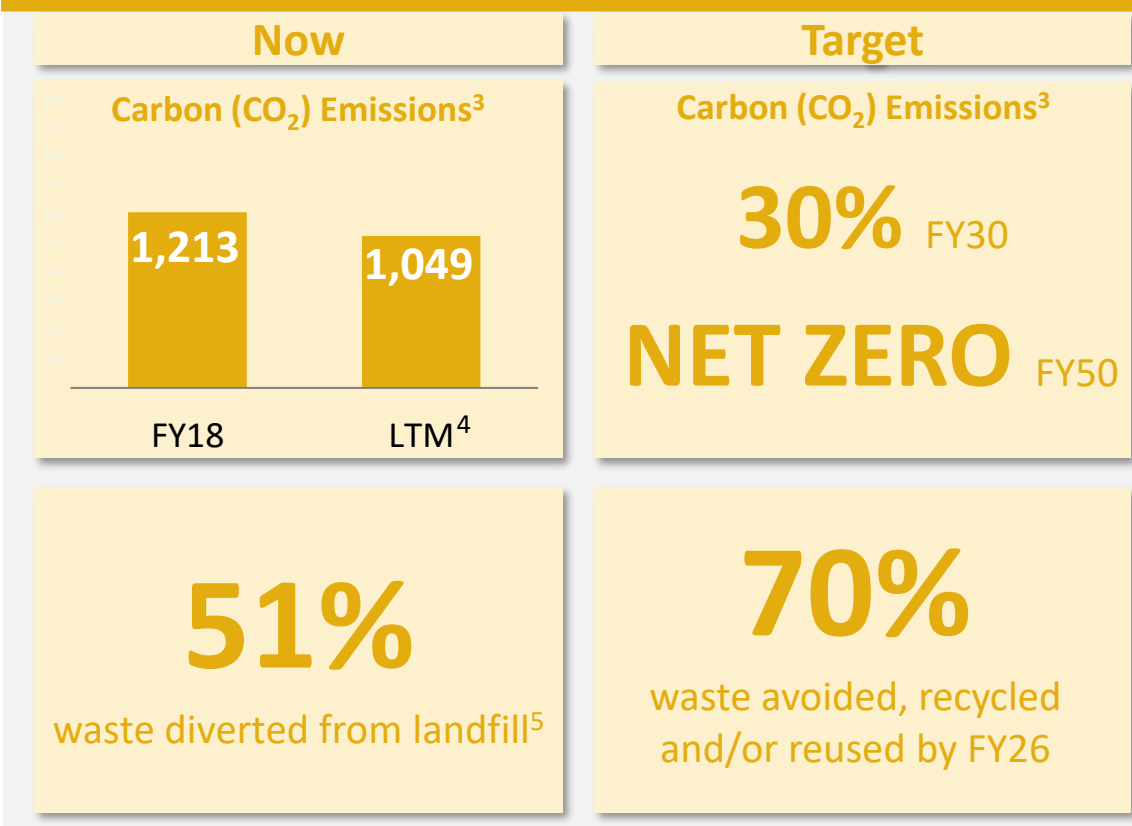


Progress in Safety & Sustainability has also been good and we are well positioned to take these to “best in class” in the near term

Safety: good progress continues



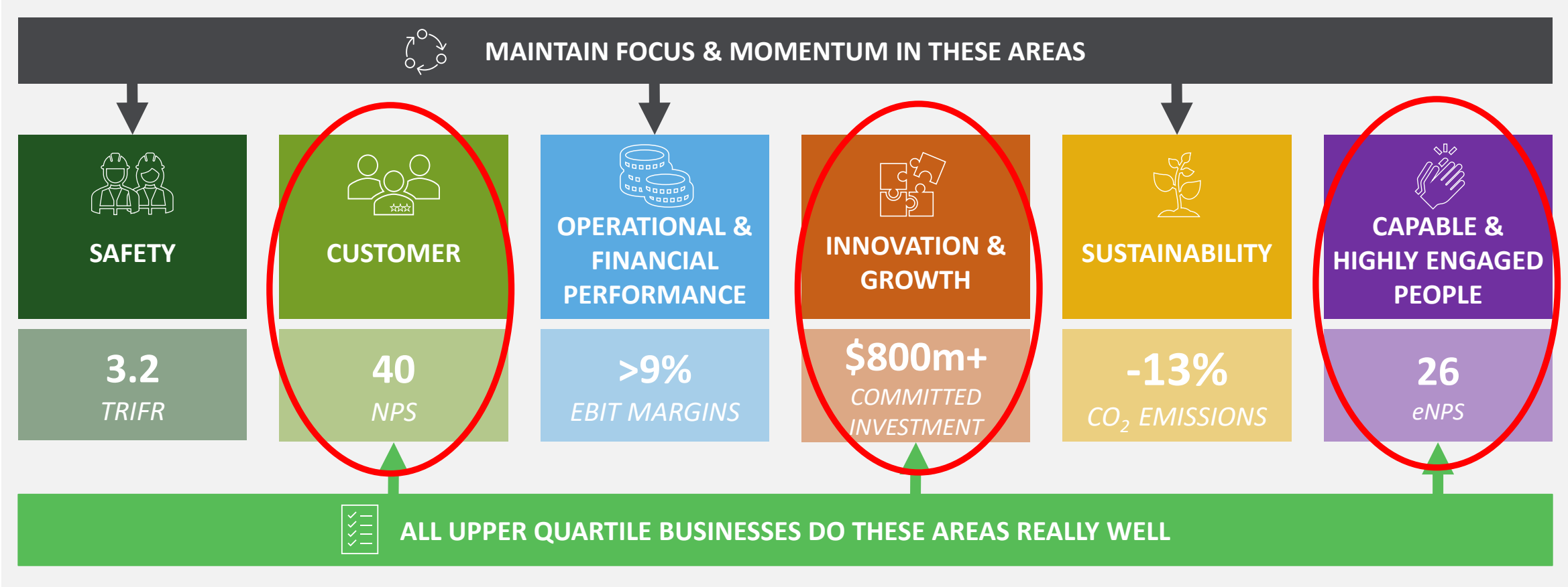
Sustainability: 30% lower carbon by 2030, net zero by 2050



1. TRIFR = Total no. of recorded injuries per million hours worked. Does not include Restricted Work Injuries;
 2. YTD23 is 11 months ended 31 May 2023
 3. '000 Tonnes; FY18 baseline has been adjusted to account for the divestment of Rocla and the acquisition of TUMU
 4. LTM = Last twelve months; 12 months ended 31 March 2023
 5. FY22



Our emphasis to drive the next leg of performance improvements now moves to our other key operating disciplines

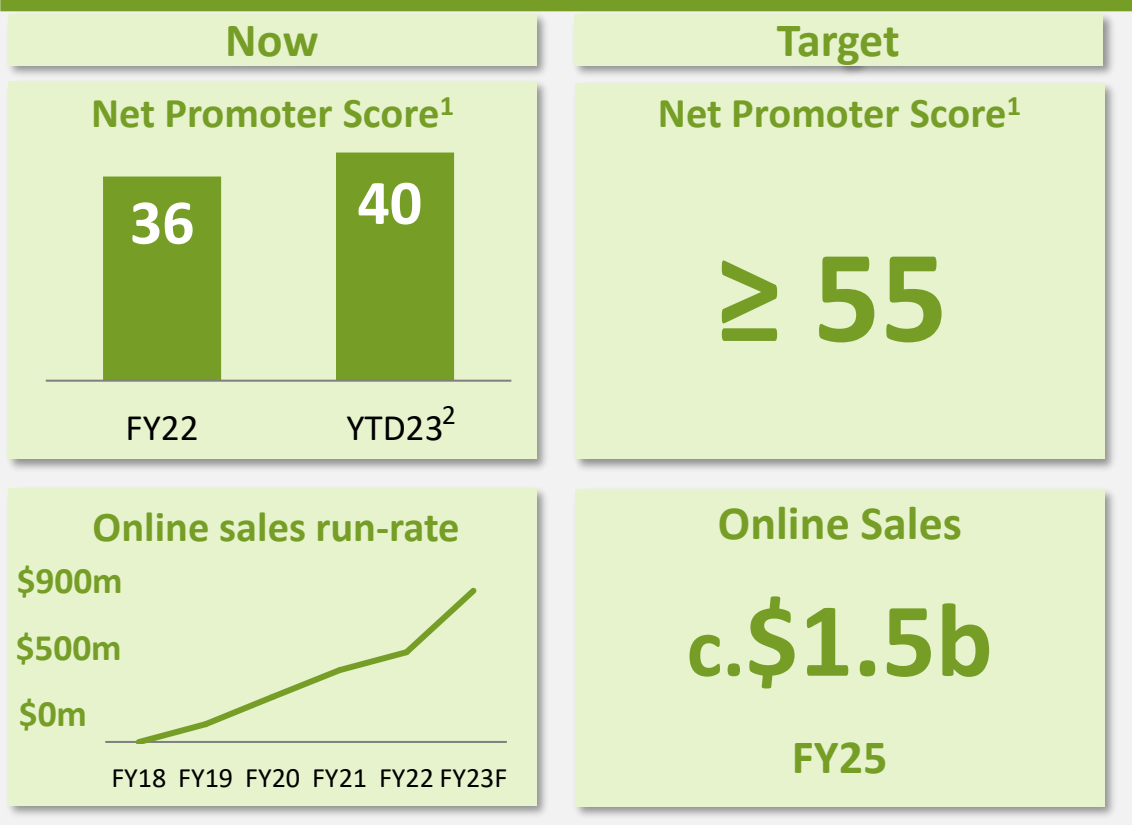


Note: TRIFR is 11 months ended 31 May 2023, NPS is 11 months ended 31 May 2023; EBIT margins is FY23F; CO2 Emissions is 12 months ended 31 March 2023 vs FY18 baseline; eNPS is FY23



We now want to get our Customer performance from “Good” to “Great” across all our businesses

Customer: driving customer solutions & services

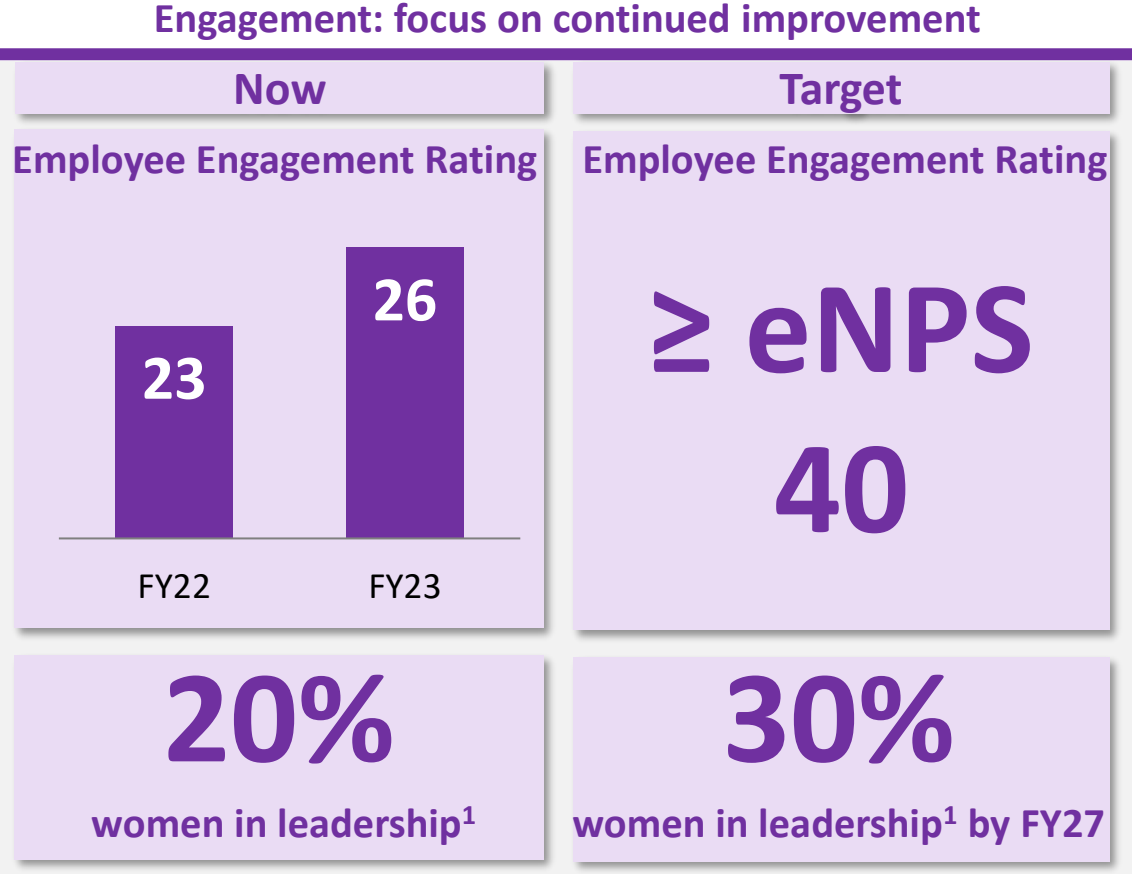


- We have made strong progress in our Customer journey
 - Our focus on improved service offerings, product availability, DIFOT³ & product innovation, has seen NPS increase to 40 in FY23 YTD
 - However, our competitive benchmark NPS (customers & non-customers) sits on average <10
 - This focus will continue - there remains a large opportunity to differentiate, as our industry is generally poor at customer service & solutions
- We are growing our online presence and full suite of omni channel offerings
 - Online sales at \$900m p.a. - expected c.\$1.5b p.a. in 2025

1. Net Promoter Score (NPS) measures how satisfied our customers are with our business (excludes the Group JV's and associates)
 2. YTD23 is for the 11 months ended 31 May 2023
 3. DIFOT = Delivered In Full On Time



Achieving industry leading employee engagement is an equally important part of the puzzle... our people wanting to go “above and beyond”



- Our engagement target for FB Group is >40 – global upper quartile
 - FB Group presently sits “about average” with an eNPS of 26
 - General Manager engagement is a very strong eNPS of 62
- We are working across several fronts to improve this:
 - GMs getting their front line genuinely connected to their business purpose and aspiration
 - Continuing to improve on recent diversity gains – targeting 30% women in leadership by FY27
 - Build on recent improvements to parental leave, transition leave, across other key people policies
 - Complete our pathway to pay parity (now 96%) over the next couple of years.
 - Programmes in place to increase ethnicity in leadership

1. Leadership includes all employees that are classified as frontline leaders, leaders of leaders, GMs & CEs



We have a strong growth outlook having made \$800m+ of commitments @ 15% ROFEs, which will mature in FY27, and a significant number of other opportunities available to us

Waipapa Timber



FY24

Laminex Taupō



FY25

FY26

Comfortech



FY27

FY28

 **Growth**

\$800m+ in committed growth capex @ 15% ROFE → Full run-rate returns from FY27

Significant further organic opportunities available



Putting all this together - Fletcher Building is well positioned for a tougher FY24, and then moving to both margin expansion and material growth in the years beyond this

