Fletcher Building Investor Day May 2021

Bevan McKenzie, CFO

26 May 2021

Agenda

1. Introduction, Fletcher Building Overview	Ross Taylor
2. Group Financials	**Bevan McKenzie**
3. Safety	Wendi Croft
4. Building Products	Hamish McBeath
5. Concrete	Nick Traber
6. Distribution	Bruce McEwen
7. Residential and Development	Steve Evans
8. Construction	Peter Reidy
9. Australia	Dean Fradgley
10. People, Innovation and Sustainability	Claire Carroll
11. Concluding Remarks and Q+A	Ross Taylor

- Group CFO since November 2016
- Led several significant portfolio changes, including Higgins acquisition and International divestment; led reset of Group balance sheet and improved cash generation
- Previously in global positions in strategy, M&A and commercial at Boston Consulting Group and Roquette Frères

Overview

Material progress on key financial targets, strong balance sheet, well-positioned for shareholder returns

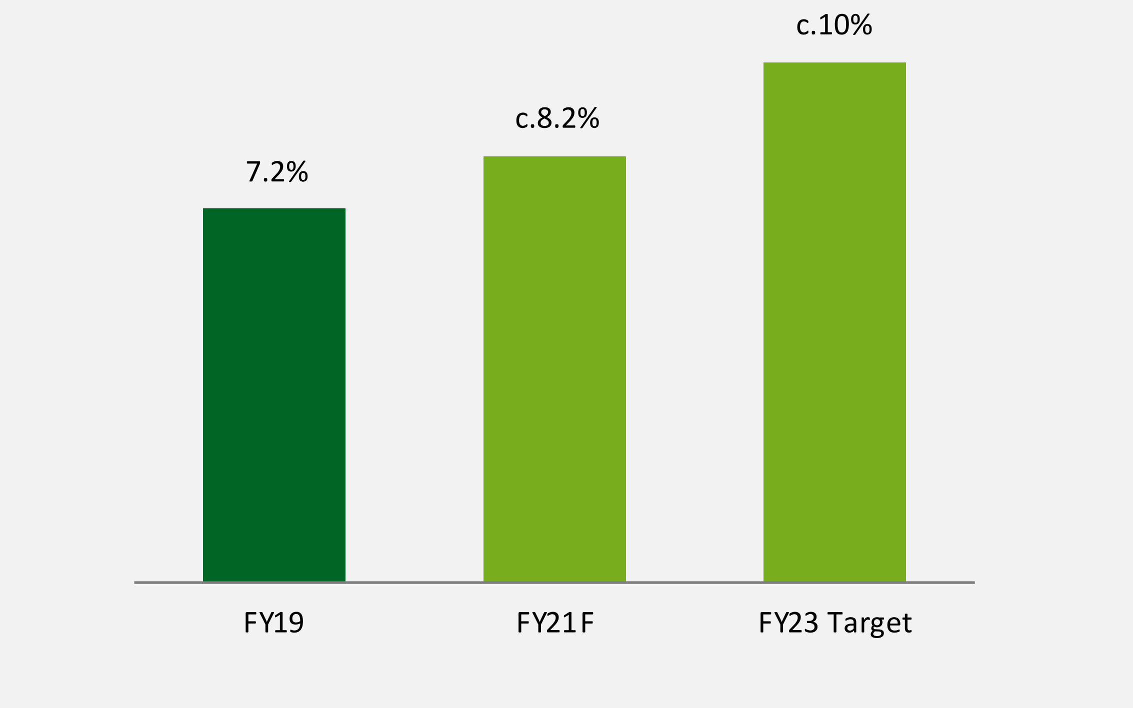
	Focus	Progress
Margins	➔ EBIT margin[1]: target >10%	➔ +100bps margin FY19-21F ➔ Path to c.10% in FY23
Investment & Returns	➔ Base capex: sustainable average of $200-250m p.a. ➔ ROFE: target >15%	➔ Base capex down from c.$300m p.a. ➔ ROFE c.18% FY21F
Cash Flow	➔ Working capital: target 5-day reduction off FY18 base ➔ Cash conversion[2]: target 60%	➔ W/cap target delivered two years early ➔ Cash conversion 85% FY19-21F
Balance Sheet & Funding	➔ Leverage[3]: target 1.0x - 2.0x ➔ Reduce gross debt and funding costs ➔ Robust liquidity & maturity profiles	➔ Leverage c.0.3x FY21F ➔ Funding costs reduced >$100m FY18-FY21F ➔ Liquidity c.$1.4b FY21F
Shareholder Returns	➔ Dividend pay-out ratio: 50-75% of net earnings[1] ➔ Additional capital returns where sensible	➔ Dividend reinstated FY21 ➔ On-market buyback up to $300m

1. Before significant items
2. Free Cash Flow / EBIT
3. Net Debt / EBITDA. Leverage range was adjusted from 1.5x-2.0x to take account of impact of IFRS 16 accounting standard on EBITDA

Margins

100bps improvement in EBIT margin since FY19, path to c.10% in FY23

EBIT Margin[1] (%)



Pathway to 10% in FY23

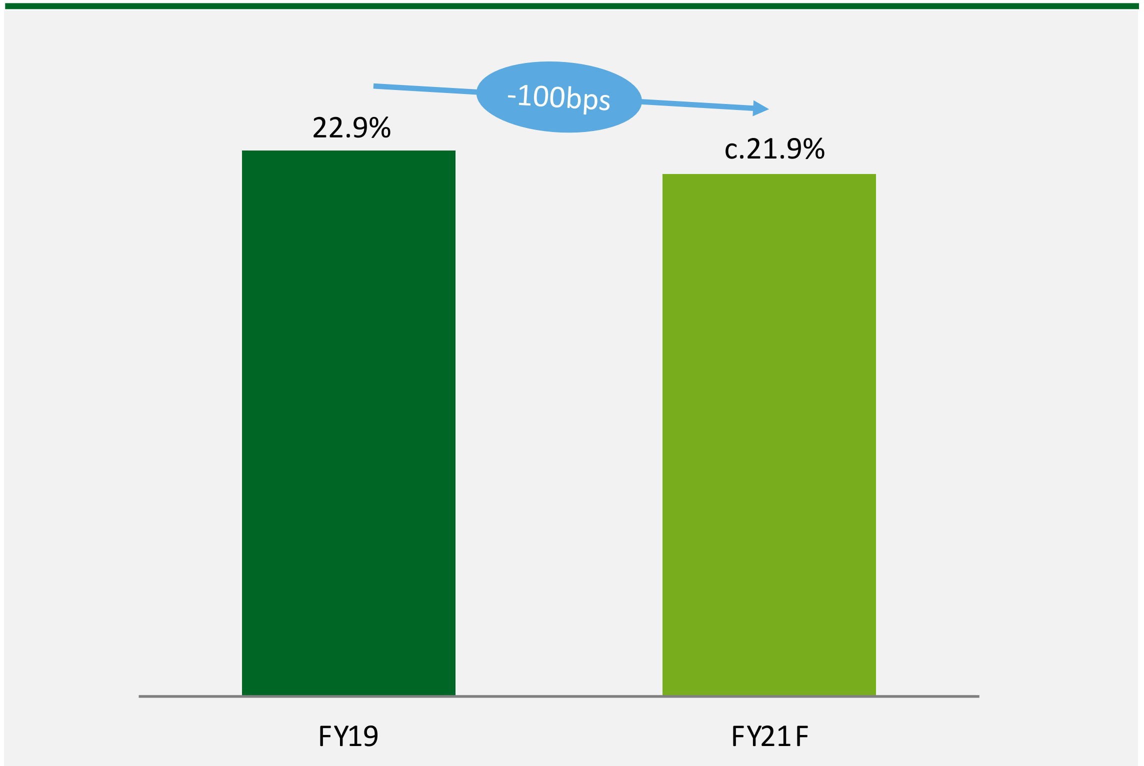
1. **Australia margins** lift from c.3.5% in FY21F to 5-7% on continued improvement in operating disciplines and growth initiatives
2. **Construction margins** lift from c.2% in FY21F to 3-5% as forward order book replaces nil margin legacy work
3. **NZ Core margins** expand slightly as adjacencies add operating leverage and continue to drive BU performance
4. **Residential and Development** targeting strong top-line growth at >15% margin, accretive to overall Group margin

1. Before significant items; FY19 is adjusted for proforma IFRS16 to allow like-for-like comparison

Margins

Efficiency programs have delivered material cost reductions, especially in Core Divisions; focused on driving additional operating leverage off this base

Core Divisions: Overhead Costs % of Revenue[1]



- Efficiency programs commenced in FY18: focused initially on Australia, then on New Zealand
- Gross cost-out (overheads and COGS; fixed and variable) of >$250m, including gross fixed cost-out in FY21 of >$150m. A portion of the benefits have served to offset inflation
- In the Core Divisions, efficiency programs have delivered a net 100bps improvement in overheads % from FY19 to FY21 on a broadly flat revenue base
- Cost base now broadly right-sized – will make targeted overhead investments to support key growth initiatives and drive operating leverage

1. Core Divisions = Building Products, Concrete, Distribution, Australia. Overhead costs = Warehousing, Distribution, and Selling, General & Administration Expenses. FY19 adjusted for IFRS 16 to allow like-for-like comparison

Investment

Base capex expected to average $200-250m p.a. in FY22-FY24

Base Capex	Average Spend p.a.	Focus Areas
Maintenance	$150-200m	→ Maintenance investment compares to depreciation (excl. ROU[1]) of c.$180m p.a. → Includes ongoing investment to create fit-for-purpose systems environment, c.$25-40m p.a.
Growth & Efficiency	$50-100m	→ Target ROFE >15% on growth and efficiency investments → Focused on modern manufacturing, product adjacencies, digital / customer ecosystems and opportunities for disruption
Total	$200-250m	→ Our focus is organic investments to scale current business and drive operating leverage → Expect to manage growth capex within base envelope, though there may be some variability in annual spend depending on phasing of investments → Base capex excludes new Winstone Wallboards (WWB) plant

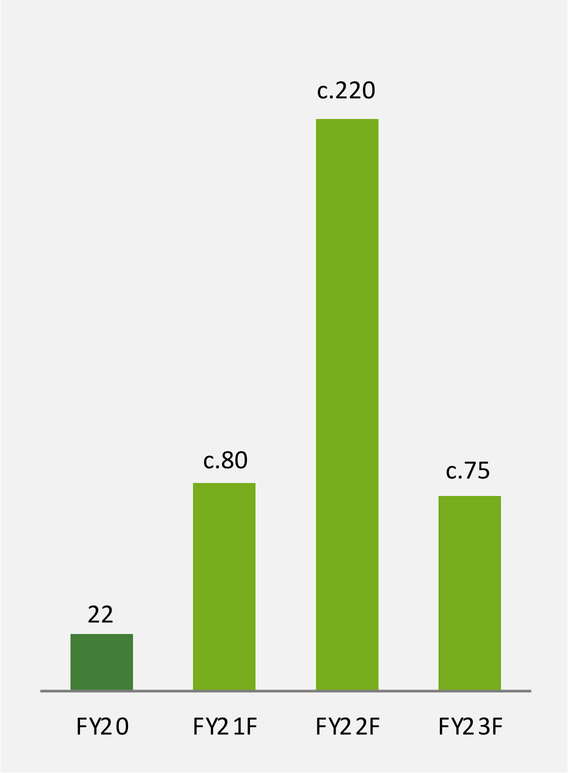
1. Right-of-use

Investment

New WWB plant replaces end-of-life asset and provides growth capacity

NZ Plasterboard Consumption (m²) vs. Population (m)

WWB Investment Phasing ($m)

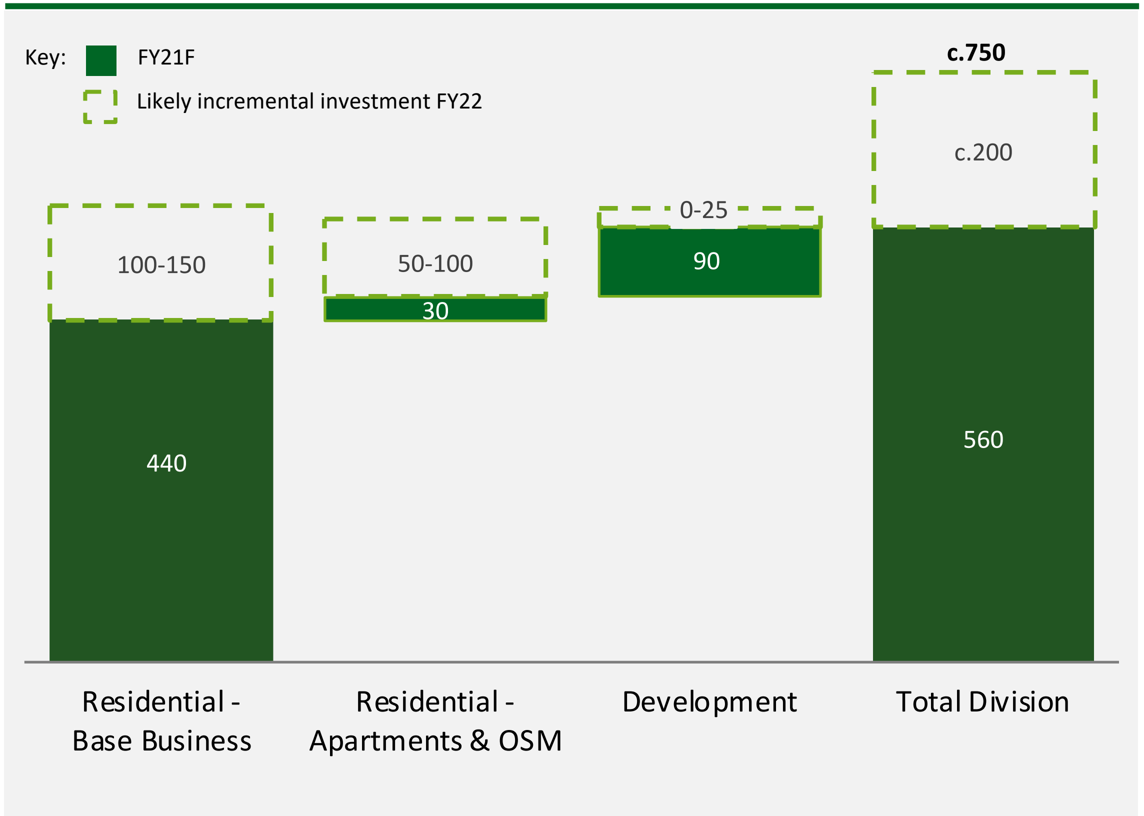


- New plant near Tauranga provides 30Mm² North Island capacity (currently 20Mm²)
- Maintenance investment to replace end-of-life asset, also providing capacity for long-term demand and product innovation
- Construction program advancing well, FY21 capex now expected to be c.$80m (previously c.$50m) – no change in overall project cost, timing variance only

Investment

Residential & Development scaling to c.1,000 houses p.a. and proving out growth opportunities – expect funds invested to build from c.$560m currently to c.$750m in FY22

Residential and Development Funds Invested: FY21F-22F ($m)



- Base housing business – scale to c.1,000 units p.a.
- Growth opportunities – OSM[1], apartments, retirement offer in existing communities
- Land Development – targeting ongoing $25m+ p.a. EBIT, combination of surplus FB properties and acquired sites
- Funds expected to build in FY22 to c.$750m as we reinvest in land stocks and to support growth opportunities
- Cash conversion[2]: averaged c.120% from FY19-FY21; expected to be lower in FY22-FY23 as net working capital builds

1. Offsite Manufacturing
2. Pre-Tax Free Cash Flow / EBIT

Investment

We are making targeted OPEX spend to support delivery of organic growth initiatives

OPEX on Key Initiatives (incremental to FY21 base)	Spend p.a.	Timing
Core Divisions[1] – product adjacencies, decarbonisation, customer ecosystems	c.$10-20m	FY22-FY23
Resi & Devt – scaling base business, apartments, OSM, retirement	c.$5m	FY22-FY23
Digital and backbone systems	c.$10-20m	FY22-FY25
WWB – plant transition costs	c.$15-20m	FY23

➔ Targeted investment of c.$30-40m p.a. OPEX (above the line) in FY22-FY23 to support growth initiatives and accelerate systems development

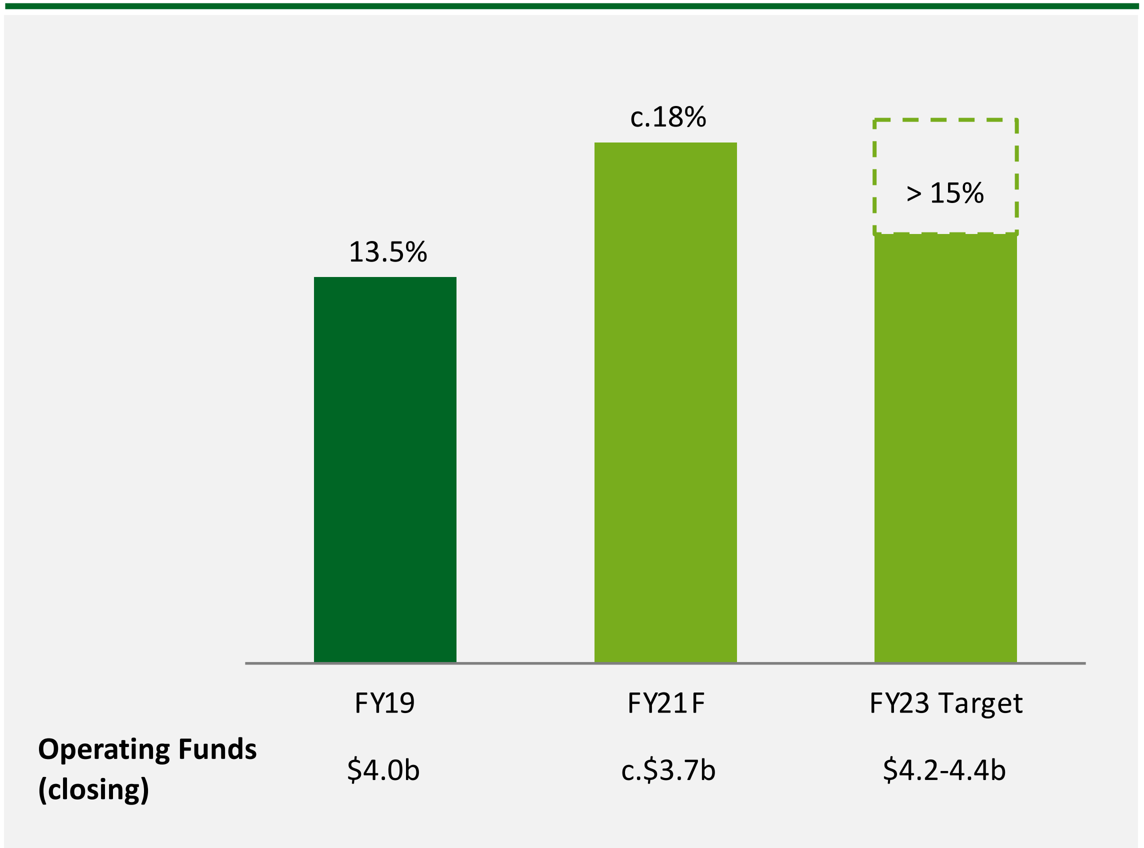
➔ WWB plant transition costs in FY23 expected to be a significant item (below the line charge)

1. Core Divisions = Building Products, Concrete, Distribution, Australia

Return on investment

Currently exceeding 15% ROFE target – expect to continue to do so as funds base lifts on investments in growth and WWB plant

ROFE[1] (%) and Closing Operating Funds ($b)



- ROFE[1] target of >15% through-the-cycle, also acts as hurdle for growth investments
- FY21 ROFE well ahead of target
- Operating funds base will lift from FY21 to FY23 on:
  - Growth capex
  - Investment in Residential and Development working capital
  - Completion of WWB plant
  - Unwind of final FCC legacy provisions
- Expect to continue delivering above 15% ROFE target

1. Return on Funds Employed (ROFE) is EBIT to average funds (net debt and equity less deferred tax asset); FY19 adjusted for IFRS 16 to allow like-for-like comparison

Cash flow

Working capital target of 5-day improvement in Core Divisions delivered ahead of plan

Working Capital[1] Receivables & Inventory – Core Divisions (days)

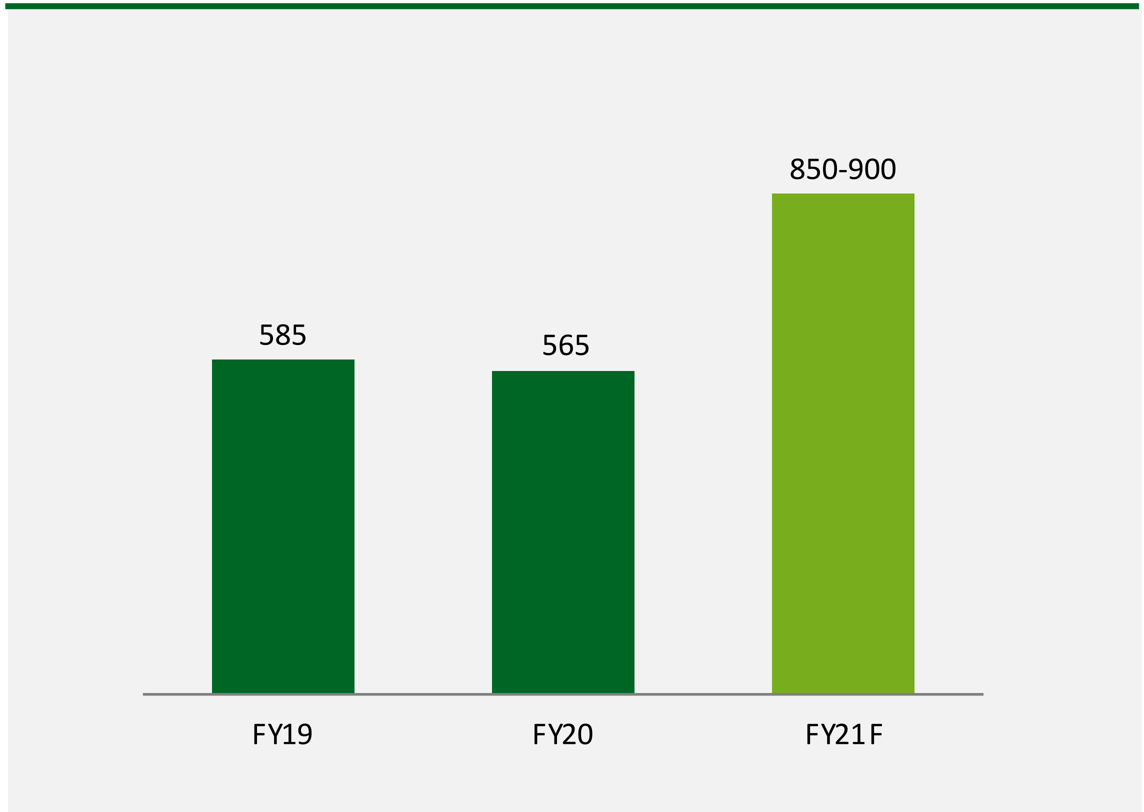
- Target set in FY18 was to reduce Core working capital by 5-days by FY23, through improved stock & receivables management. Creditor terms considered appropriate and held broadly steady
- 1-day = c.$15m cash release, hence total benefit >$75m
- Targeted improvement in stock and receivables achieved two years early
- Small amount (c.$25m) of inventory rebuild expected in FY22 to build supply chain resilience; otherwise working capital now considered to be at appropriate levels

1. FY18 adjusted for IFRS 16 to allow like-for-like comparison

Cash flow

Underlying cash generation of the business has been strong

Underlying Trading Cash-Flow[1] ($m)



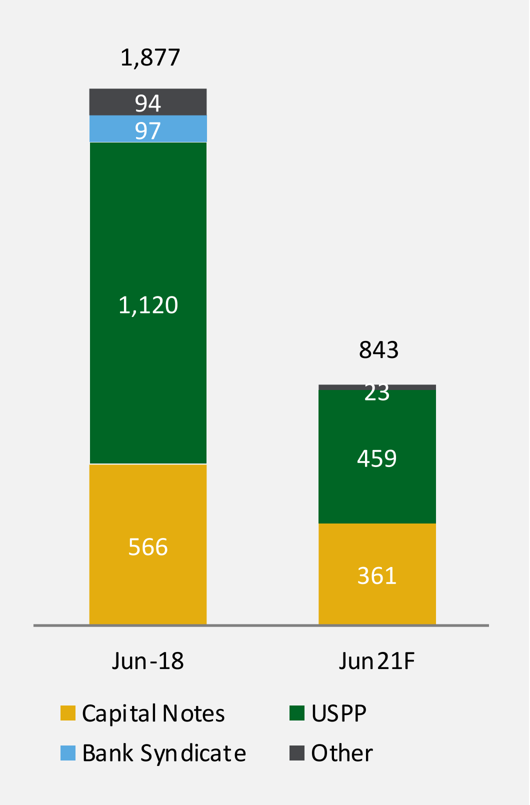
- Group cash generation has been strong: total of c.$2.0b underlying trading cash-flow[1] in FY19-FY21
- Strong underlying cash conversion[2] of c.85% in FY19-FY21 – driven by working capital management, strong Residential & Development cash flows, and limited cash tax paid due to FCC legacy losses
- Cash conversion will be lower in FY22-23 as we invest in rebuild of Residential housing inventories and WWB plant
- Expect to return to cash tax payments in NZ mid-2022

1. Trading Cash-Flow = EBITDA less Lease Principal Payments & Lease Interest Paid plus / minus Working Capital Movements. Underlying trading cash-flow excludes FCC Legacy Cash-Flow and Significant Items.
2. Cash conversion = Free Cash Flow / EBIT. Excludes significant items and FCC legacy cash-flows

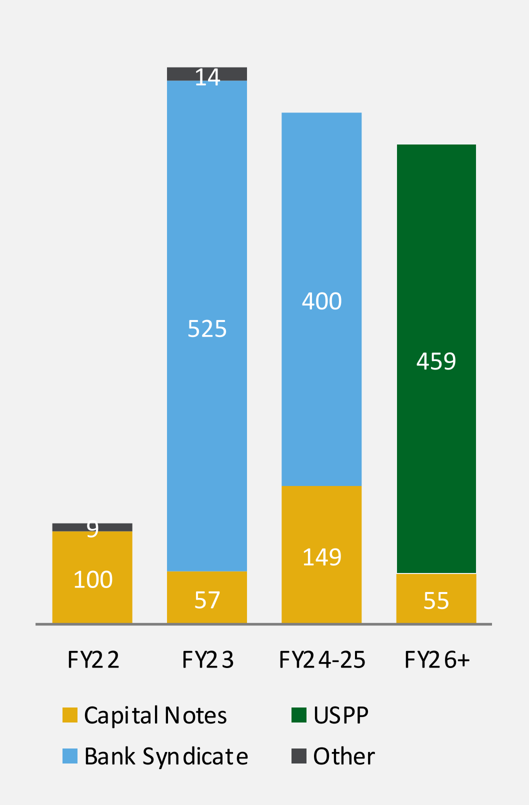
Funding

Drawn debt and funding costs have reduced materially, while maturity and liquidity profiles remain strong

Debt drawings ($m)



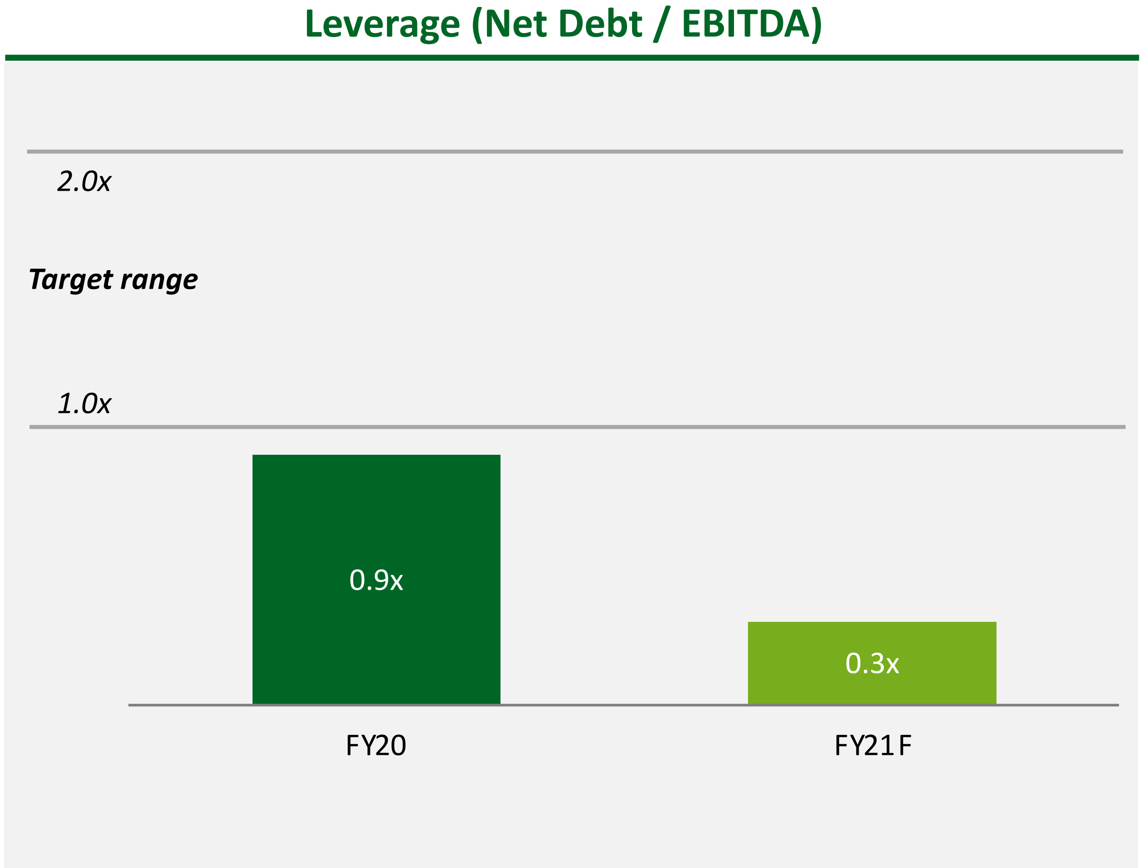
Debt maturity profile ($m)



- Gross debt reduced by c.$1b since Jun-18
- Funding costs reduced from $155m in FY18 to c.$50m in FY21
- Robust maturity profile – average 4.7 years
- Jun-21F liquidity of c.$1.4b
- Banking covenants return to normal testing from 30 June; material headroom on all covenants

Leverage

Strong balance sheet, well-positioned to support continued execution of strategy



- Cash generation has supported strong balance sheet position and a sustained reduction in leverage
- Investments in FY22-23 in the WWB plant, Core growth capex, and residential land and housing stocks are expected to lift leverage above the current level of c.0.3x
- However, leverage is still expected to be below bottom end of target range as underlying cash-flows remain strong

Capital return

With the balance sheet materially de-levered, FBU intends to conduct an on-market share buyback of up to NZ$300m over the next 12 months

- Fletcher Building continuously assesses its balance sheet position and investment opportunities in order to drive shareholder returns
- Where there are incremental cash flows available, Fletcher Building makes a disciplined assessment of how to enhance shareholder value with the appropriate mix of debt reduction, additional growth investment and shareholder returns
- Fletcher Building has a continued preference for prudent balance sheet management; however, projects that its leverage (Net Debt / EBITDA) is likely to remain below the target leverage range in the medium-term
- On this basis, Fletcher Building considers incremental capital is available to be distributed to shareholders through an on-market share buyback of up to NZ$300m
- This form of shareholder distribution takes into account the level of franking / imputation credits available, tax effectiveness for all shareholders and earnings per share accretion
- The buyback is expected to commence in June 2021
- Through the course of the buyback period, Fletcher Building will continue to assess market conditions, Fletcher Building's prevailing share price, and available investment opportunities

Dividends

FY21 interim paid and final FY21 dividend expected, targeting a pay-out ratio of 50-75% of net earnings; imputation expected from FY22

- Policy to pay dividends in the range of 50-75% of net earnings before significant items and having regard to available cash flow
- HY21 interim dividend of 12cps paid in March 2021
- Management expects Board to declare an FY21 final dividend in August 2021
- FBU expects to be in a position to impute the FY22 final dividend (giving rise to the NRWT[1] benefit for non-NZ resident shareholders), and targets imputation of at least the final dividend on an ongoing basis
- Franking of dividends not expected in the near-term

1. Non Resident Withholding Tax

FY21 EBIT Guidance

Expected to be $650-665m, at top end of the prior guidance range

Division	FY21F EBIT[1]
Building Products	$190-195m
Distribution	$125-130m
Concrete	$110-115m
Residential & Development	$145-150m
Construction	$25-30m
Australia	$100-105m
Corporate	$(55)m
Group	$650-665m

- FY21 EBIT before significant items expected to be $650-665m (previously $610-660m). Updated guidance equates to c.49/51% H1/H2 split
- Trading conditions in 2H21 broadly consistent with 1H21; some impact (c.$10m-$15m) in 2H21 from supply chain constraints and input cost pressure (energy, steel)
- Improved outcome on sale of Rocla Gailes site means FY21 Land Development EBIT expected to be c.$50m
- Rocla: if completed, sale price expected to be c.NZ$60m, additional non-cash impairment c.$20m and reclass of FCTR[2] c.$30m. Completion targeted for 1Q22
- Significant Items: total FY21 c.$130m (excluding FCTR)
- Group capex expected to be c.$230m: base capex c.$150m, WWB c.$80m

1. EBIT before significant items
2. FCTR = Foreign Currency Translation Reserve

Summary

Material progress on key financial targets, strong balance sheet, well-positioned for shareholder returns

Margins	→ +100bps margin improvement since FY19, driven particularly by targeted efficiency programs → Path to c.10% margin in FY23
Investment & Returns	→ Base capex $200-250m p.a., residential investment c.$200m FY22, targeted OPEX spend to support growth → Exceeding ROFE target of >15%
Cash Flow	→ Working capital efficiency embedded, has delivered c.$75m cash release → Cash conversion well above target FY19-FY21, lower in FY22-23 as we invest in WWB and Residential
Balance Sheet & Funding	→ Strong balance sheet: leverage 0.3x, liquidity $1.4b, well-placed to support organic growth investments → Gross debt reduced >$1b, funding costs reduced >$100m p.a.
Shareholder Returns	→ Well-positioned for sustainable dividend pay-out of 50-75% of net earnings → In addition, on-market share buyback of up to NZ$300m over the next 12 months

Questions