



Annual Results to 30 June 2014

Mark Adamson - Chief Executive Officer

Nick Olson - Chief Financial Officer

20 August 2014

Disclaimer

This Annual Results presentation dated 20 August 2014 provides additional comment on the management commentary of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that commentary.



Agenda

Results Overview

Geographic & Sectoral Analysis

Divisional Performances

Financial Results

Business Transformation Programme

Outlook

Appendix



Results Overview

Dimond, Rainbows End Auckland



Results Overview

Snapshot

\$339 ▲
million
NET EARNINGS up 4%

\$8,401 ▼
million
REVENUES down 1%

36C ▲
DIVIDEND PER SHARE up 6%

\$592 ▲
million
OPERATING EARNINGS up 4%

49.3C ▲
EARNINGS PER SHARE up 4%



Results Summary

4% increase in reported net earnings

NZ\$m	Reported		% Δ
	June 2013 12 months	June 2014 12 months	
Sales	8,517	8,401	-1
EBITDA	789	795	+1
EBIT	569	592	+4
Net earnings	326	339	+4
EPS - cps	47.6	49.3	+4
Dividend - cps	34.0	36.0	+6



Results Overview

Revenue

\$8,401 million ▼

REVENUES down 1%

- **Reported revenue \$116m lower than FY13**
- **\$428m of decline was due to adverse currency movements**
- **Underlying revenue growth of 4%**

Revenue growth rates

Geographic segments in local currency

New Zealand	+5%
Australia	+2%
Rest of World	+5%



Results Overview

Operating Earnings

\$592 [▲] million
OPERATING EARNINGS up 4%

\$624 [▲] million
OPERATING EARNINGS before
significant items up 10%

- **Reported operating earnings (EBIT) up 4%**

Significant items

Significant items relate to divestment of businesses

Pacific Steel	\$19m
Hudson Building Supplies	\$12m
Fiji Concrete	\$1m
Total	\$32m

- **Operating earnings excluding significant items up 10%**
- **Within guidance range of \$610m - \$650m**
- **Excluding foreign currency translation impacts, EBIT would have been up 15%**



Results Overview

Net earnings

\$339  million

NET EARNINGS up 4%

\$362  million

NET EARNINGS before significant items
up 11%

- **Reported net earnings up 4% to \$339m**
- **Result includes net \$16m of restructuring and other costs (FY13: \$4m net gain)**

- **Net earnings before significant items were up 11% to \$362m**

Earnings per share

Earnings per share	49.3 cents	+4%
Earnings per share (before significant items)	52.7 cents	+11%



Results Overview

Dividend & Cashflow

\$489 ▼
million

CASHFLOW FROM OPERATIONS down 13%

36 C ▲

DIVIDEND PER SHARE up 6%

- **Cash flow from operations \$489m a reduction of \$70m from FY13 (\$559m)**
- **Reduction is due to increased residential land purchases, increased inventory in emerging markets, and timing of construction contract payments**

Dividend

Final dividend per share	18 cents
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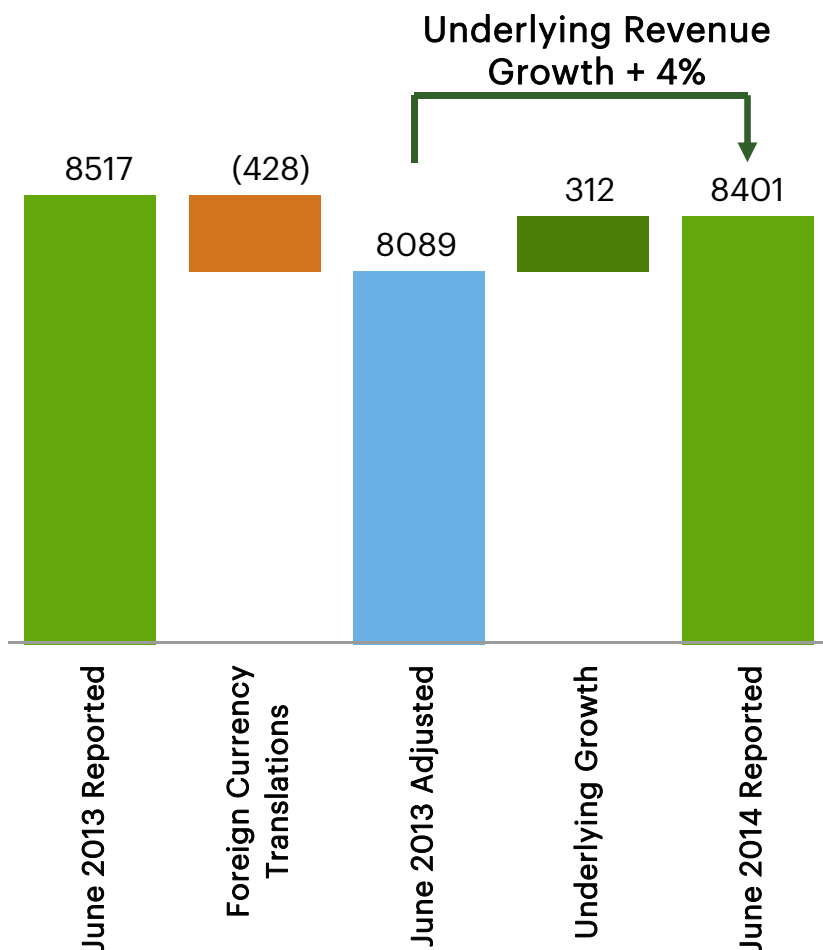
Total dividend for the year	36 cents
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- **Final dividend fully imputed for NZ taxation purposes**
- **Dividend Reinvestment Plan not operative for this dividend**

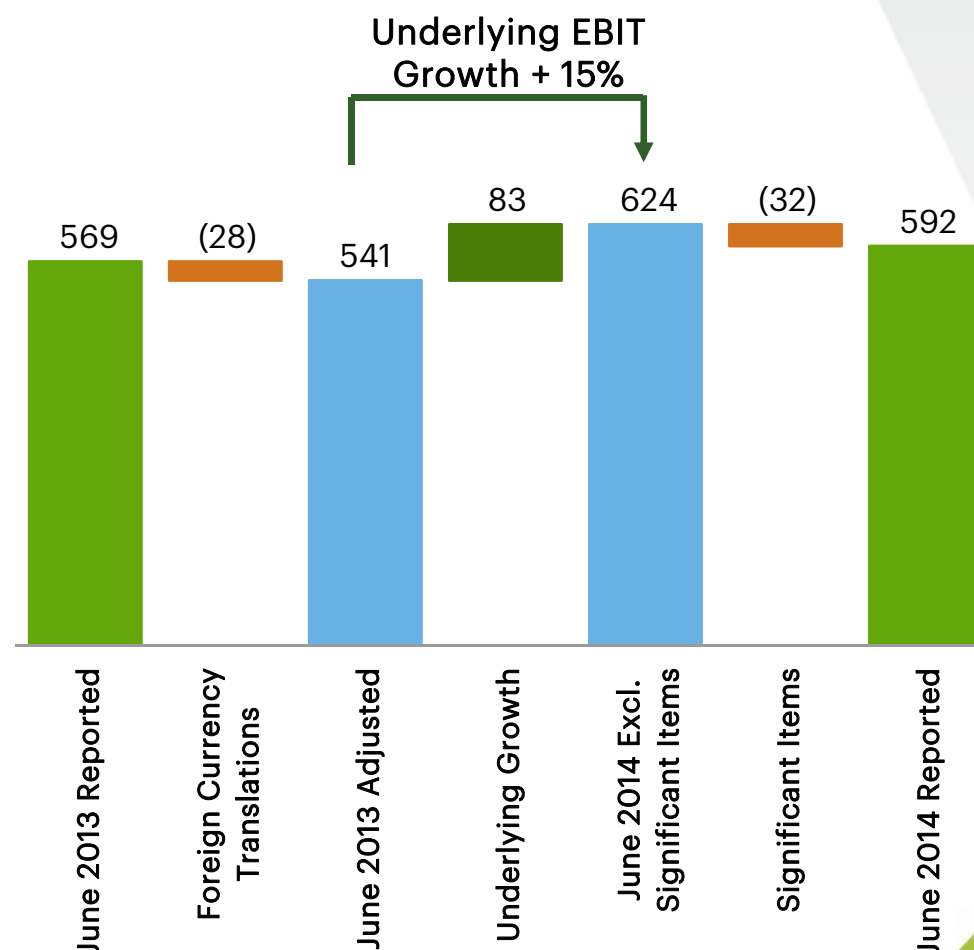


Underlying revenue and operating earnings up 4% and 15% respectively

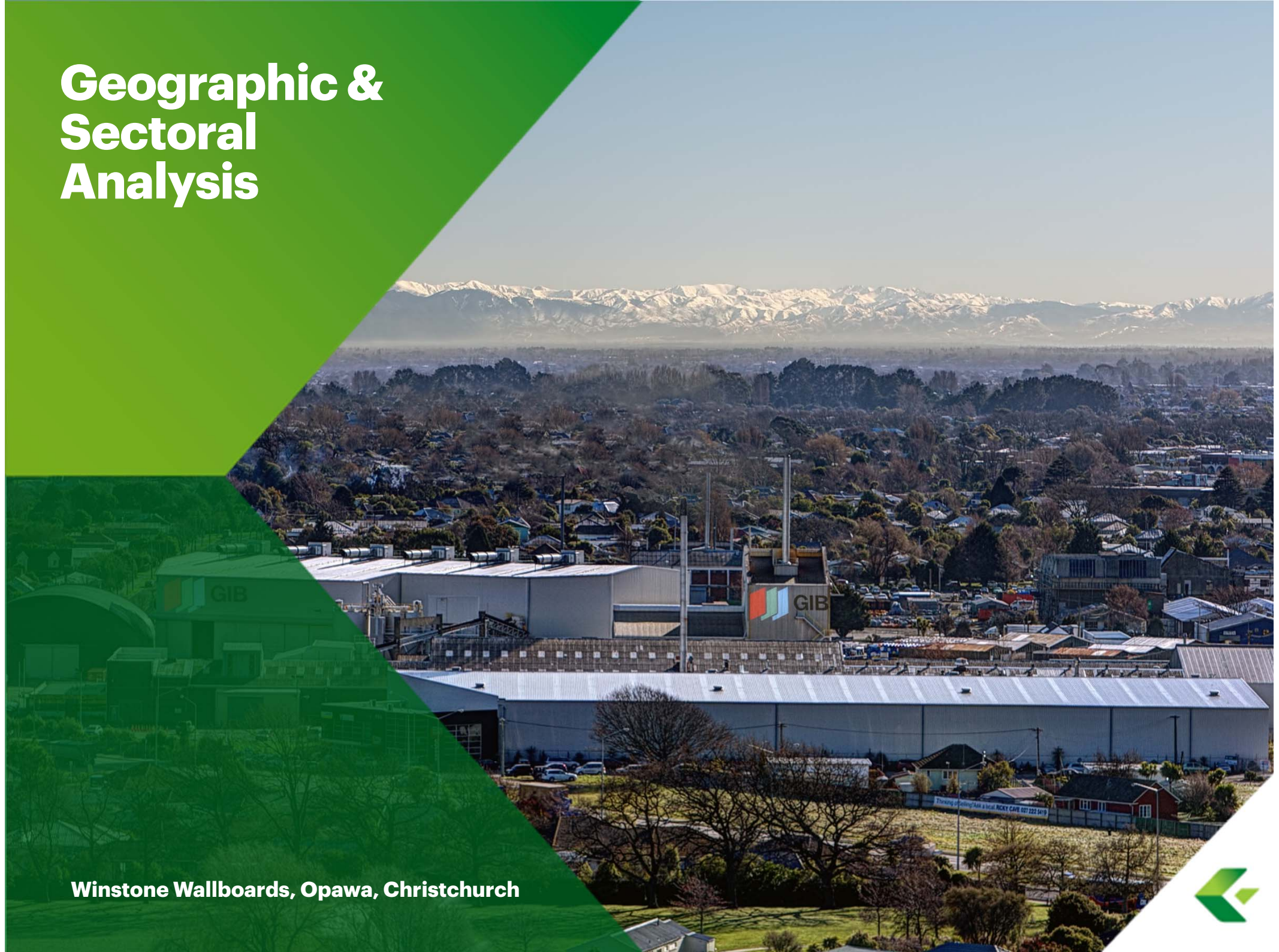
Revenue NZ\$m



EBIT NZ\$m



Geographic & Sectoral Analysis



Winstone Wallboards, Opawa, Christchurch



Sectoral exposure

Exposures based on revenues

Geographical Exposure by Sector¹	Residential (New/A&A)*	Commercial	Infrastructure	Other
New Zealand	47%	29%	18%	6%
Australia	45%	25%	11%	19%
Rest of World	47%	48%	0%	5%
Total Manufacturing	46%	31%	11%	12%

New Zealand	87%	13%	0%	0%
Australia	72%	28%	0%	0%
Total Distribution	80%	20%	0%	0%

New Zealand	17%	46%	37%	0%
Rest of World	0%	50%	50%	0%
Total Construction	15%	46%	39%	0%

1. Excludes NZ and Australian Distribution businesses

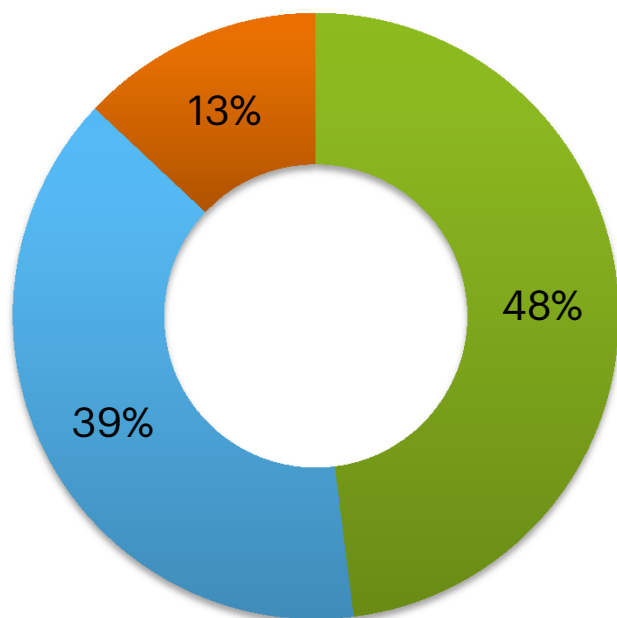
* A&A – Additions and Alterations



Geographic earnings mix reflects economic performance of key markets

Revenue

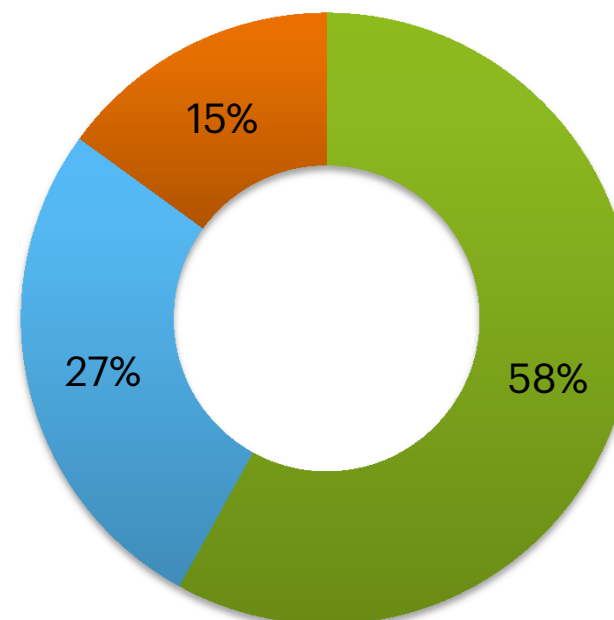
(12 months to June 2014)



■ New Zealand ■ Australia ■ Rest of World

EBIT¹

(12 months to June 2014)



■ New Zealand ■ Australia ■ Rest of World

1. Before significant items

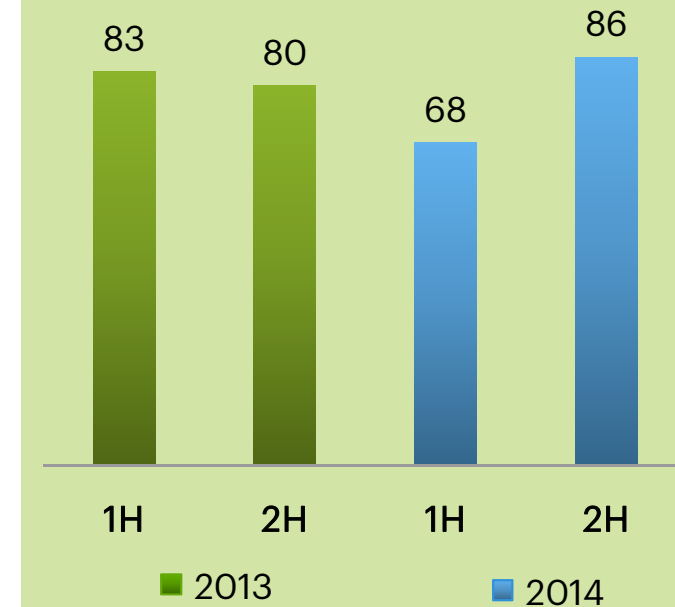


New Zealand operating earnings up strongly, Australia improved in second half of FY14

EBIT¹
NZ\$m



Australian EBIT¹
AU\$m

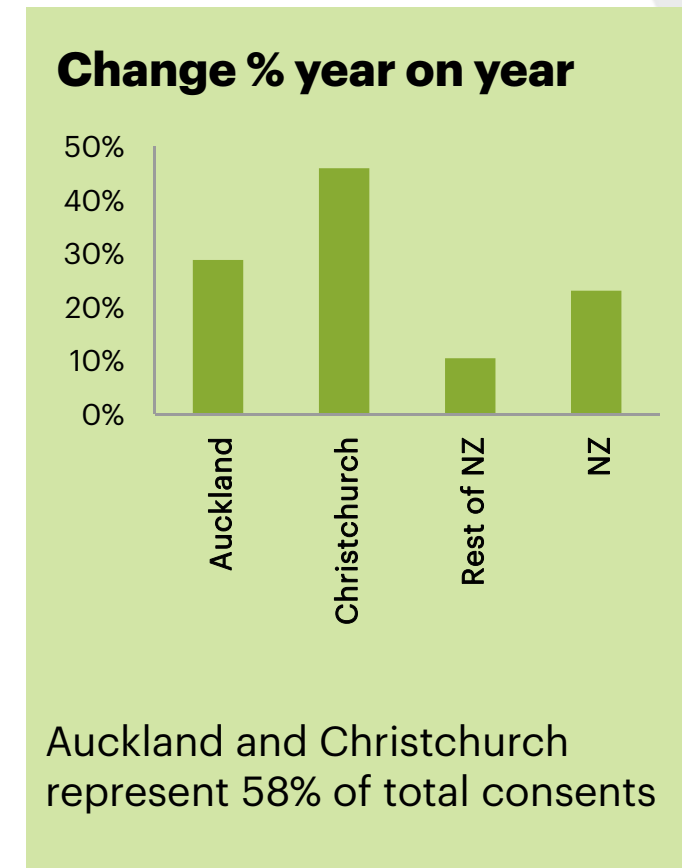
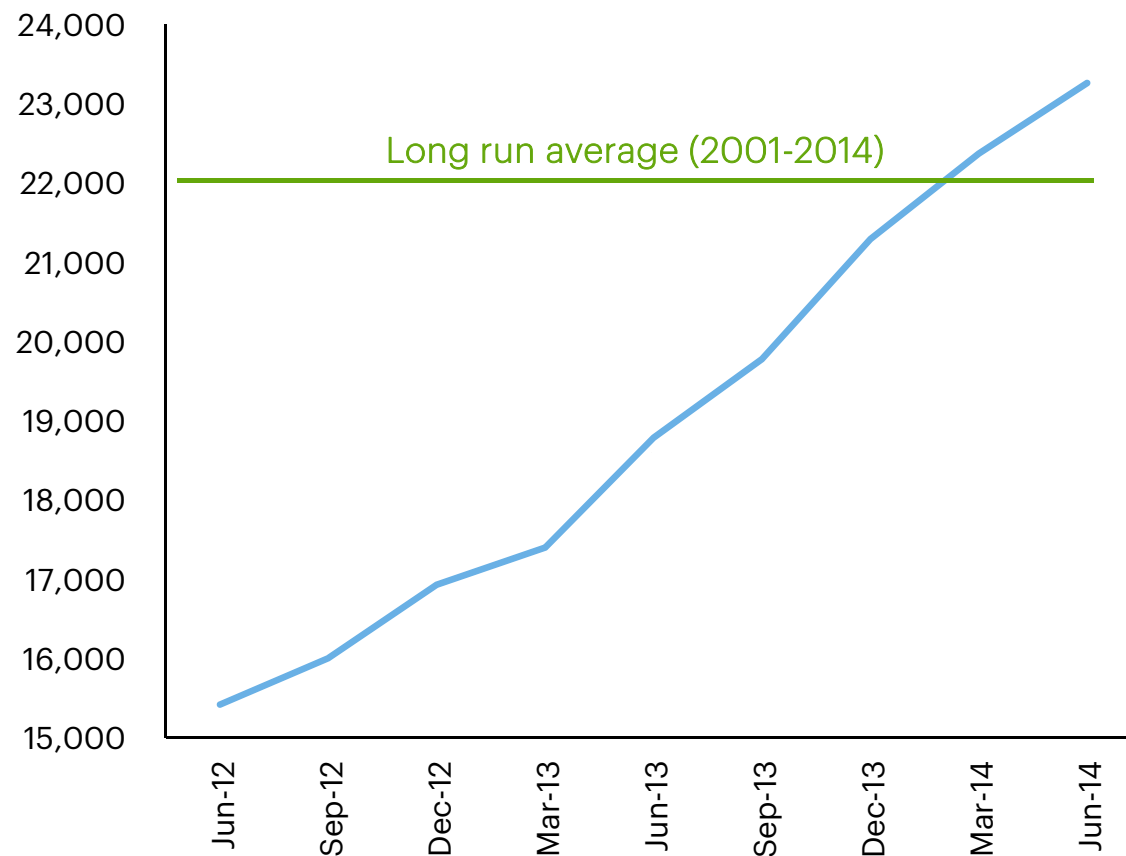


1. Before significant items



New Zealand residential consents up 24% to highest level since 2007

Total residential consents 12 month rolling – New Zealand

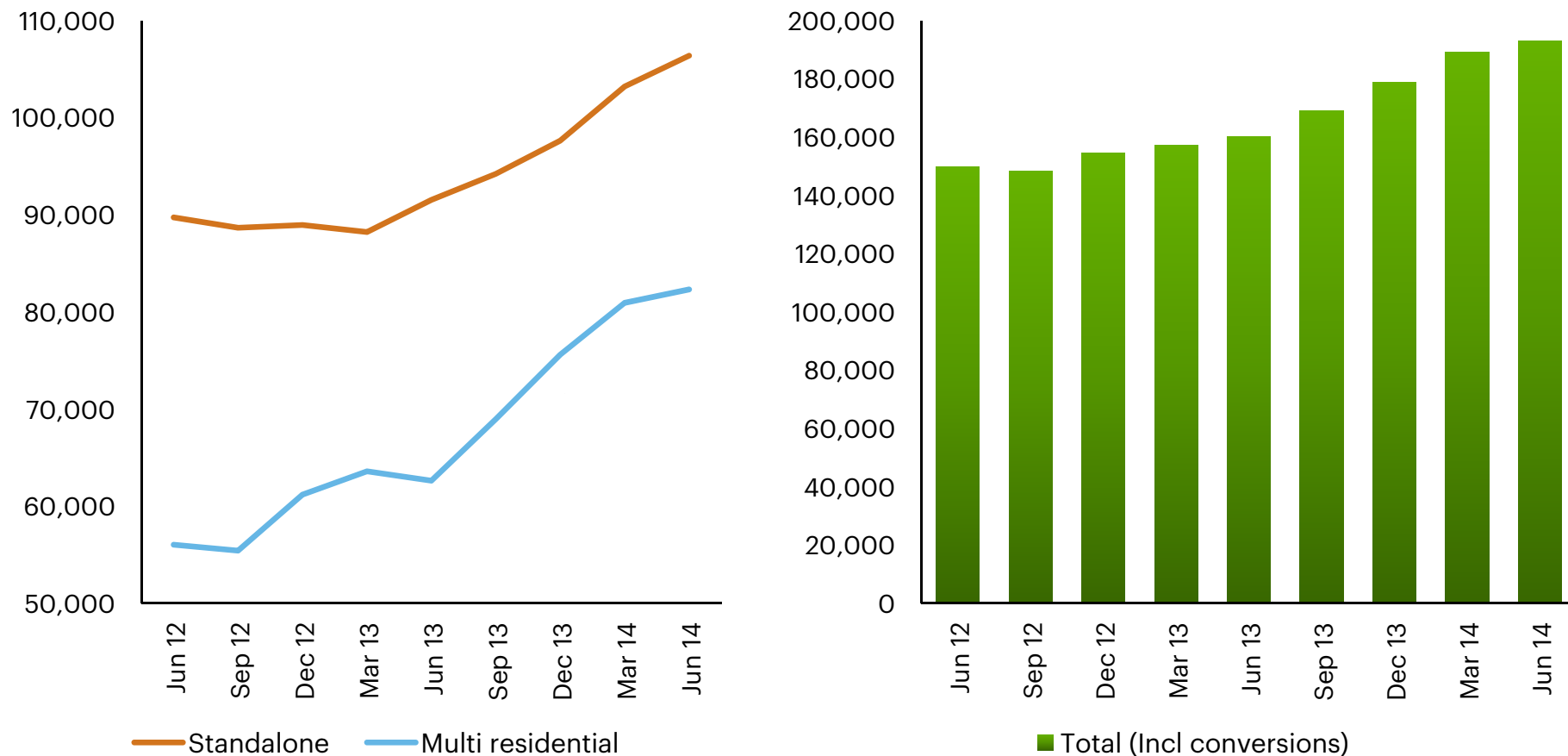


Source: Statistics NZ, Infometrics



Australian residential consents up 21% multi-unit dwellings up strongly

Total residential consents 12 month rolling – Australia



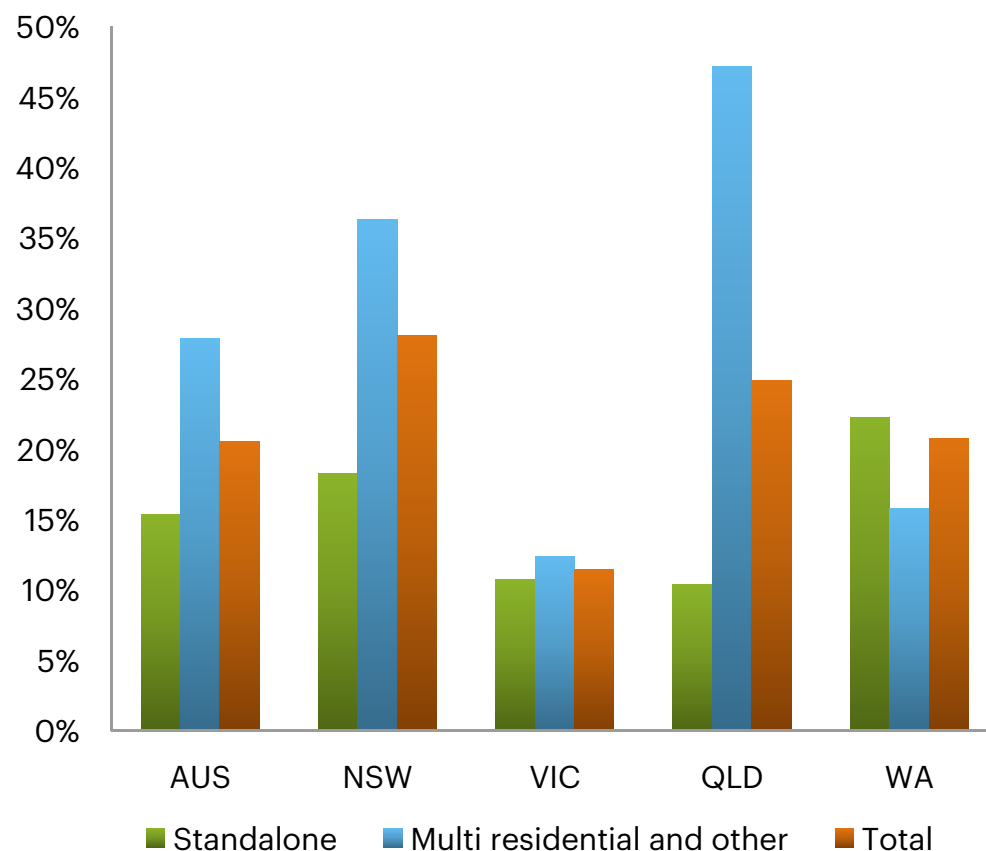
Source: Australian bureau of statistics, BIS Shrapnel



Strong growth in NSW, QLD and WA, multi-residential consents up 28%

Change in housing approvals – by state

12 months ended 30 June 2014 vs 2013



	June 2013 12 mths	June 2014 12 mths	% Δ
Stand-alone	93,546	107,920	+15
Multi + other Residential	66,695	85,266	+28
Total	160,241	193,186	+21

Multi residential & other dwellings drove increase in consents and increased their proportional share to 44% of total dwellings approved.

Source: HIS Global Insight



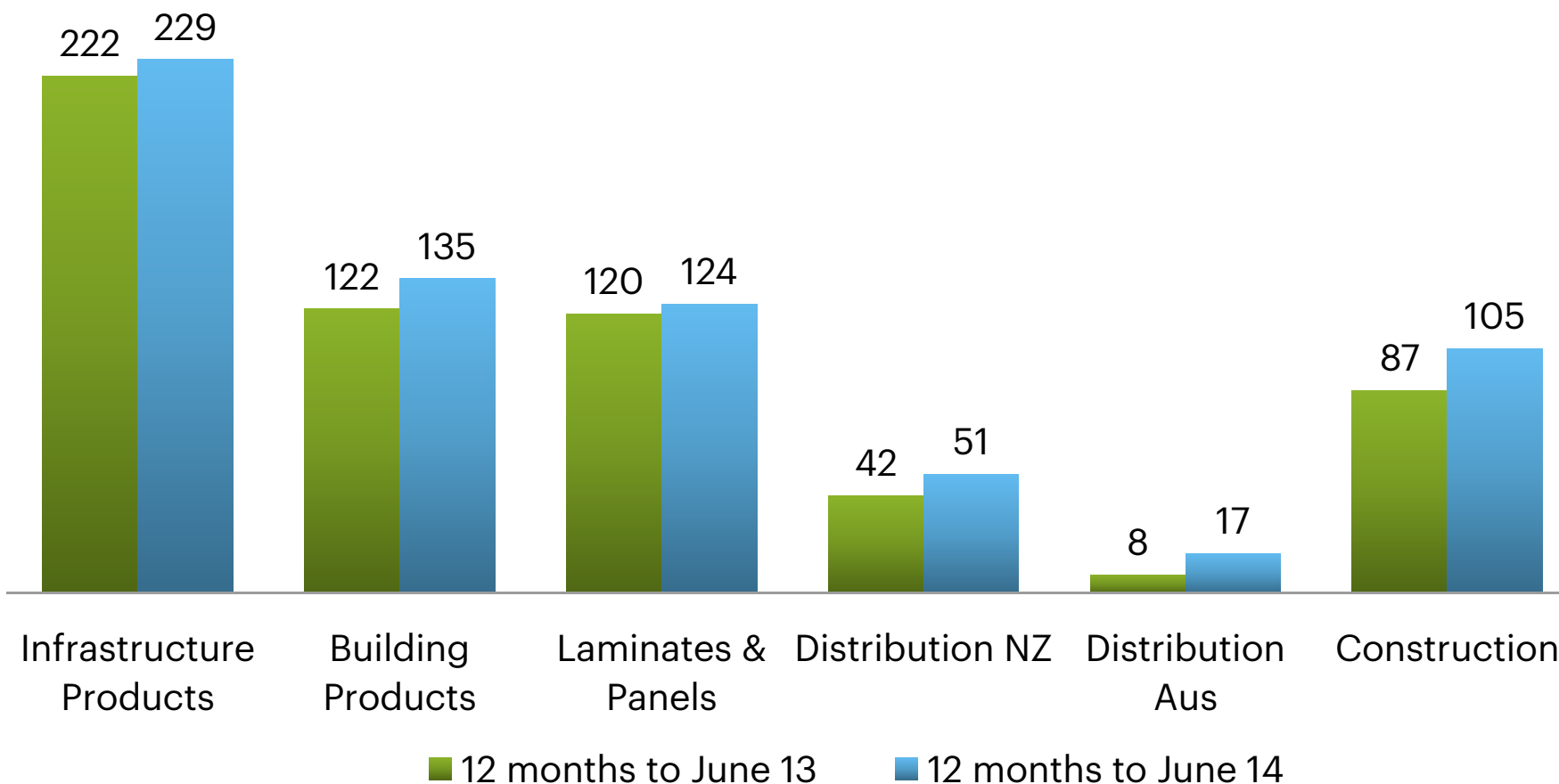
Divisional Performances

Fletcher Construction, MacKays to Peka Peka Expressway



Divisional operating earnings overview

EBIT¹
NZ\$m



1. Before significant items



Infrastructure Products Result

NZ\$m	June 2013 12 months	June 2014 12 months	% Δ
Sales	2,095	2,050	-2
EBITDA ¹	312	316	+1
EBIT ¹	222	229	+3
Cement, Concrete + Aggregates	73	90	+23
Concrete Pipes + Products	67	57	-15
Plastic Pipes	54	46	-15
Steel	28	36	+29
Funds Employed	1,841	1,792	-3
EBITDA/sales % ¹	14.9	15.4	
EBIT/sales % ¹	10.6	11.2	
ROFE % ¹	12.1	12.8	

1. Before significant items

Cement, Concrete & Aggregates

New Zealand volumes up strongly:

- Cement volumes up 24%
- Aggregates volumes up 17%
- Ready-mix volumes up 14%

Australian aggregates volumes up 27%, but earnings impacted by product mix

Concrete Pipes and Products

Australian pipe volumes down 19% due to weaker infrastructure and mining demand

Plastic Pipes

Australia pipe volumes down 4%

New Zealand volumes up in line with activity levels in Auckland and Christchurch

Steel

Distribution earnings up due to improved operating efficiency



Building Products Result

NZ\$m	June 2013 12 months	June 2014 12 months	% Δ
Sales	1,350	1,288	-5
EBITDA	159	166	+4
EBIT	122	135	+11
Funds Employed	770	725	-6
EBITDA/sales %	11.8	12.9	
EBIT/sales %	9.0	10.5	
ROFE %	15.8	18.6	

Plasterboard

Volumes up in line with house building activity in New Zealand

Insulation

Operating earnings declined due to price and margin compression

Some recovery experienced in second half of year in both New Zealand and Australia

Coated Steel and Roof Tiles

Operating earnings up 13% as a result of margin improvement initiatives

Roof tile volumes steady on prior year
Australian rollforming earnings increased as a result of cost reduction



Laminates & Panels Result

NZ\$m	June 2013 12 months	June 2014 12 months	% Δ
Sales	1,738	1,710	-2
EBITDA	180	177	-2
EBIT			
- Laminex	62	61	-2
- Formica	58	63	+9
Total EBIT	120	124	+3
Funds Employed	1,788	1,702	-5
EBITDA/sales %	10.4	10.4	
EBIT/sales %	6.9	7.3	
ROFE %	6.7	7.3	

Formica

Earnings up 9% at \$63m

Revenue up 3% driven by volume growth in Asia and North America

Asia volumes up overall, and stable in Thailand

Europe earnings up with improved operational performance

Laminex

Adjusting for currency impacts earnings would have been up 10%

Australian revenue up 6% in domestic currency terms driven by increased construction activity in the Eastern States



Formica: volume growth in North America and Asia with European markets stabilising

EBIT NZ\$m	June 2013 12 months	June 2014 12 months	% Δ
Asia	37	29	-22
North America	41	43	+5
Europe	(5)	6	n/m
Corporate	(15)	(15)	-
Total EBIT	58	63	+9



Distribution New Zealand Result

NZ\$m	June 2013 12 months	June 2014 12 months	% Δ
Sales	1,147	1,169	+2
EBITDA	54	64	+19
EBIT	42	51	+21
Funds Employed	251	196	-22
EBITDA/sales %	4.7	5.5	
EBIT/sales %	3.7	4.4	
ROFE %	16.7	26.0	

PlaceMakers:

Revenues up 12% with ongoing improvement in trading conditions in Auckland and Canterbury.

Operating earnings up 47% as volume increases and operational efficiencies offset increased competitive pressure

2 new branches and 2 new frame & truss plants opened in the period

Mico:

An operating loss of \$2m was recorded due to restructuring costs incurred in the period



Distribution Australia Result

NZ\$m	June 2013 12 months	June 2014 12 months	% Δ
Sales	994	927	-7
EBITDA ¹	17	25	+47
EBIT ¹	8	17	+113
Funds Employed	452	406	-10
EBITDA/sales % ¹	1.7	2.7	
EBIT/sales % ¹	0.8	1.8	
ROFE % ¹	1.8	4.2	

Tradelink:

Increase in operating earnings to A\$12m (2013: A\$4m) in domestic currency terms

Market conditions improved

Business improvement initiatives led to market share gains

Hudson Building Supplies:

Significant items of \$12m relating to the sale of Hudson during the period

1. Before significant items



Construction Result

NZ\$m	June 2013 12 months	June 2014 12 months	% Δ
Sales	1,193	1,257	+5
EBITDA	95	113	+19
EBIT	87	105	+21
Funds Employed	69	116	+68
EBITDA/sales %	8.0	9.0	
EBIT/sales %	7.3	8.4	
ROFE %	126.1	90.5	

Increase in operating earnings due to significant upturn in infrastructure business

Residential earnings slightly ahead of FY13 with continued strong sales levels at Auckland's Stonefields development

Further land acquisitions including Manukau and Peninsula Golf courses

Home Repair programme in Canterbury with over 59,000 home repairs completed to date

Construction backlog of \$1,820m as at June 2014

Major projects secured in the period

- Christchurch Justice Precinct
- Construction phase of MacKays to Peka Peka roading alliance in Wellington
- Fonterra head office building in Auckland



Canterbury update

Canterbury Home Repair Programme:

- 59,000 permanent house repairs completed to date
- Programme to be substantially complete by December 2014

Insurance Council of New Zealand report that as at 30 June 2014:

- 80% of commercial claims settled (\$7.7bn)
- 66% of all residential claims settled (\$4.4bn)
- 50% of residential claims over EQC cap settled

Infrastructure repairs continue through SCIRT – approximately 50% completed; Estimated total cost is \$2.5bn

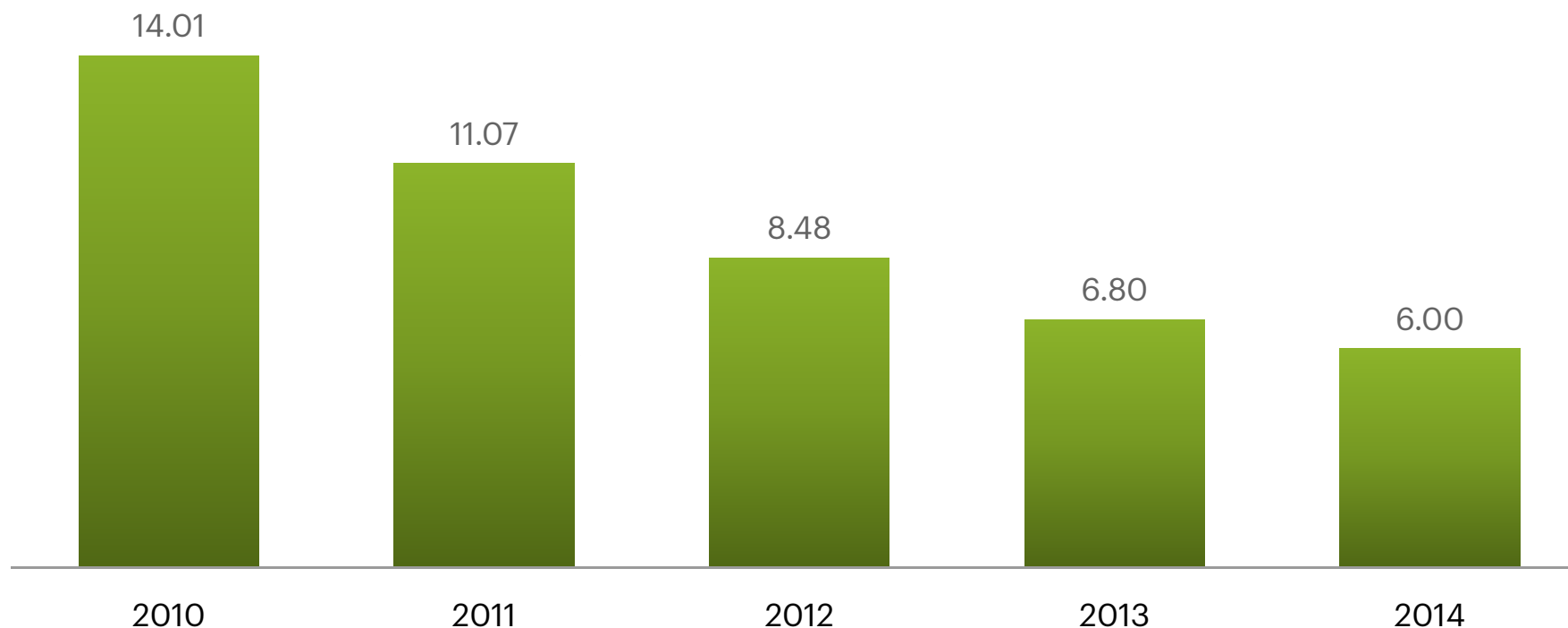
CBD construction starting to get underway, with a number of projects coming up for tender

Fletcher Construction has commenced work on the Justice Precinct (\$200m)



Health and safety performance continued improvement

Total risk injury frequency rate*



* Total injuries per million employee and contractor hours



Financial Results

Stramit Building Products, Brisbane

BRISBANE



Reported Results

Reported financial information NZ\$m

	June 2013 12 months	June 2014 12 months	% Δ
Revenue	8,517	8,401	-1
EBITDA (before significant items)	789	827	+5
Depreciation / Amortisation	220	203	-8
EBIT (before significant items)	569	624	+10
Significant items		(32)	
EBIT	569	592	+4
Funding costs	(147)	(130)	-12
Earnings before taxation	422	462	+9
Taxation expense	(85)	(111)	+31
Earnings after taxation	337	351	+4
Earnings minority interest	(11)	(12)	+9
Net earnings	326	339	+4



Build up of earnings

Underlying NZ\$ earnings by region (before significant items)

NZ\$m	June 2013 12 months	June 2014 12 months	% Δ
New Zealand	286	362	+27
Australia	203	171	-16
Rest of World	80	91	+14
Total NZ\$m	569	624	+10
FX translation to FY14 rates	(28)		
Earnings adjusted for FX	541	624	+15

Underlying earnings by region in local currency

	June 2013 12 months	June 2014 12 months	% Δ
New Zealand (NZ\$m)	286	362	+27
Australia (AU\$m)	163	154	-6
Rest of World (US\$m)	65	75	+15



Operating cash flow

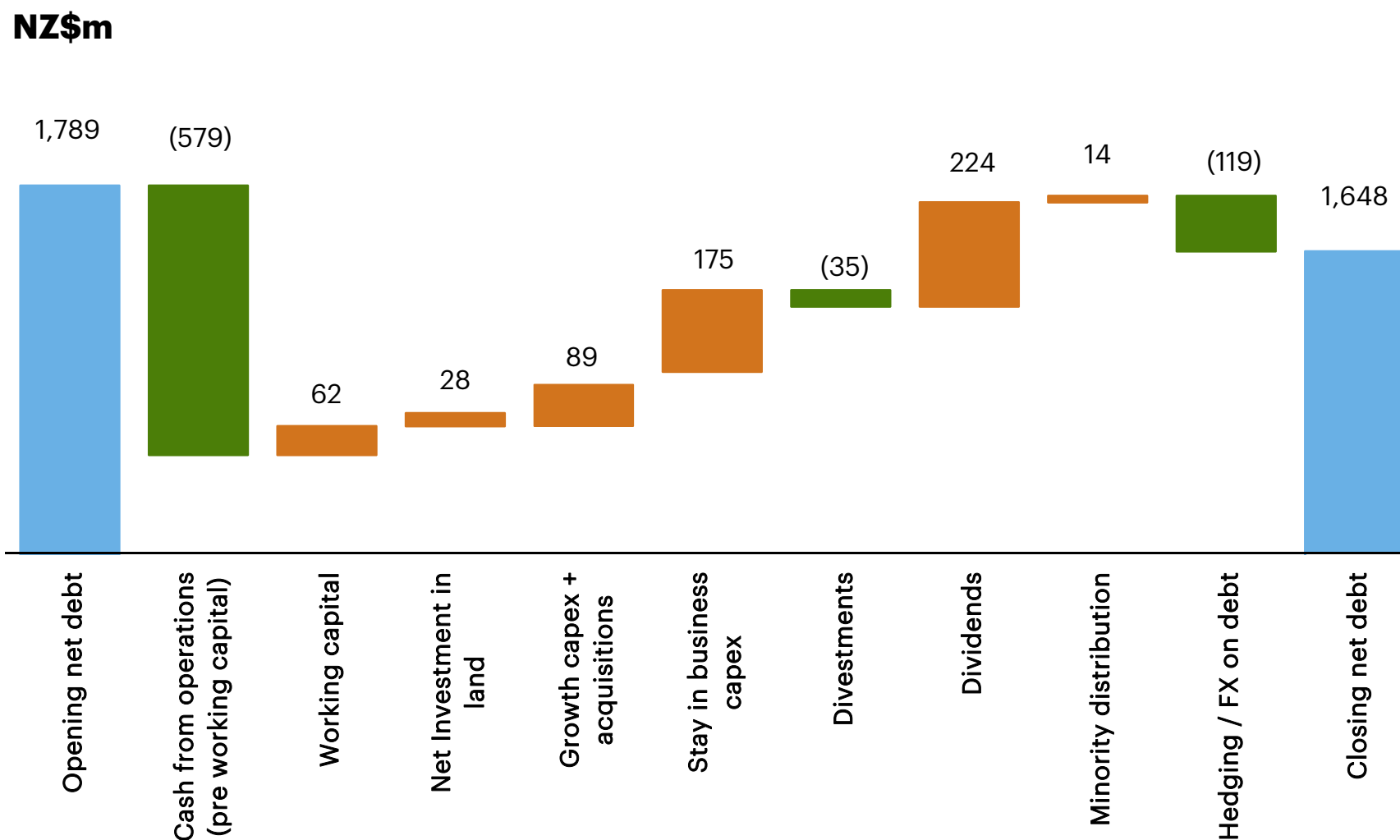
NZ\$m	June 2013 12 months	June 2014 12 months
Cashflow from operations before net working capital movements	525	579
Net working capital movements	34	(90)
Net cash from operating activities	559	489

Full year net working capital movements

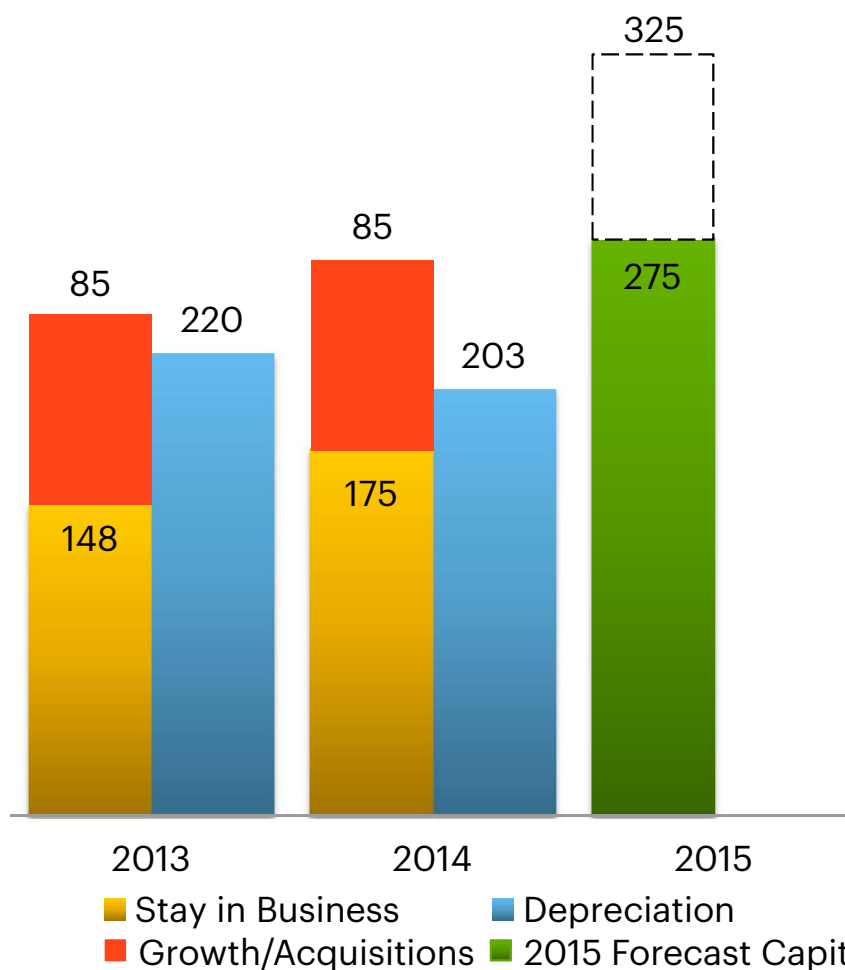
	June 2014 12 months
Emerging markets – inventory increased	(21)
Timing on construction projects	(18)
Residential land investment	(28)
Trading (predominantly debtors)	(23)
	(90)



Net debt lower mainly due to currency translation impact



Capital expenditure



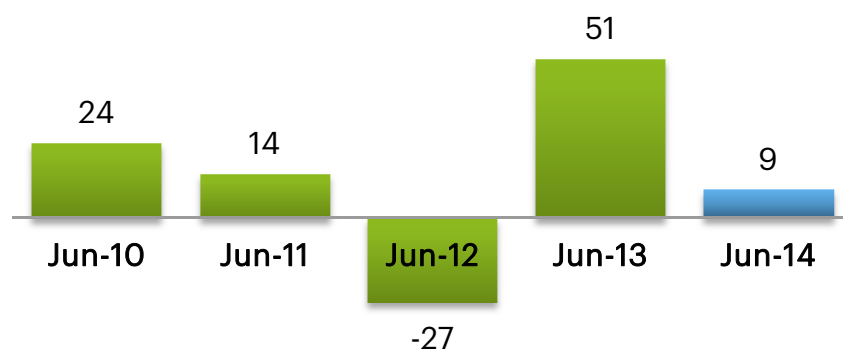
NZ\$m	June 2013 12 months	June 2014 12 months	% Δ
Stay-in-business	148	175	+18
Growth	85	85	-
Total Capex	233	260	+12
Acquisitions	13	4	-69
Depreciation	220	203	-8

For FY15, Capital expenditure is expected to be in the range of \$275m - \$325m

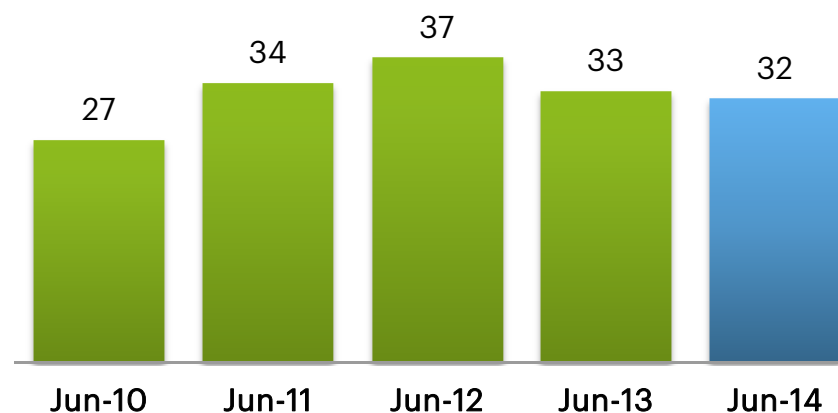


Key ratios

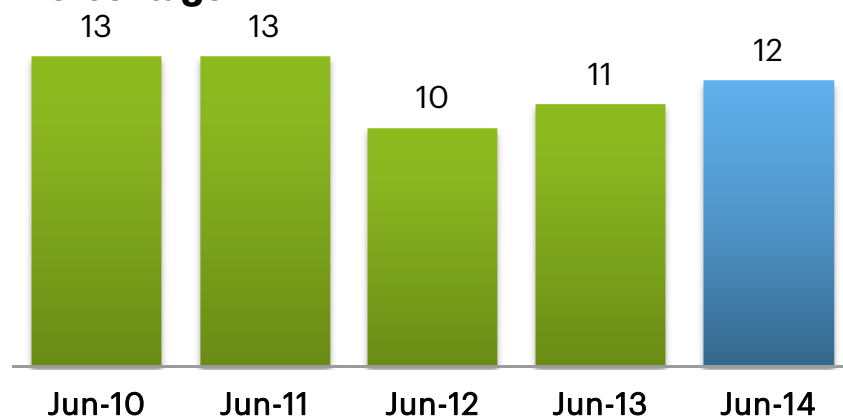
**Total Shareholder Return (TSR)
Percentage**



**Debt/Debt Plus Equity
Percentage**



**Return on Average Funds
Percentage¹**

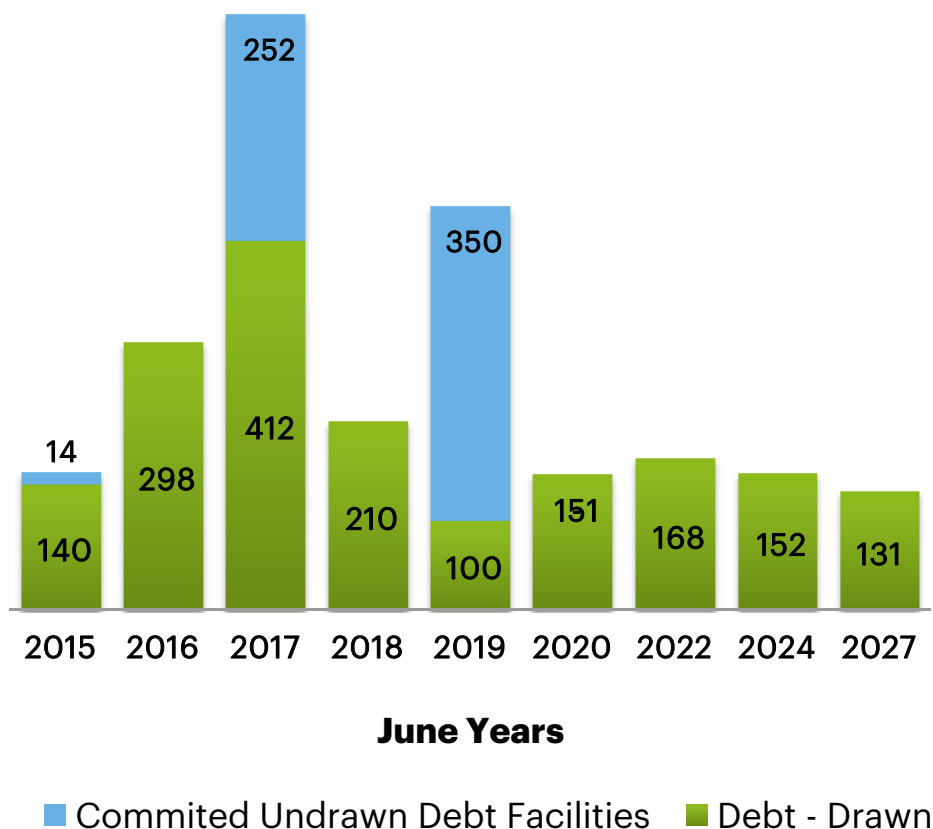


1. Earnings before interest, tax and significant items / average funds



Debt profile

Funding and Maturity Profile NZ\$m



Undrawn credit lines of \$616m and cash of \$134m.

Average maturity of debt is 4.2 years.

Approximately 60% of all borrowings have fixed interest rates.

Average interest rate on debt is 6.2%.

Mix of currency (hedged)

- NZ\$ 37%
- AU\$ 44%
- US\$ 10%
- Other 9%



Capital management settings

Fletcher Building will continue to target strong 'BBB' credit characteristics

Gearing

- Target of Net Debt to Net Debt + Equity (including Capital Notes) of 30-40%
- As at 30 June 2014: 32%

Leverage

- Target Net Debt to EBITDA of 2.0 to 2.5 times
- As at 30 June 2014: 1.99 times

It is intended that the group will not be materially outside target Gearing and Leverage ranges on a long run basis

Target dividend pay-out ratio is 50% to 75% of net earnings



Business Transformation Programme

Golden Bay Cement, Auckland



Substantial progress in implementing FBUnite programme

- Benefits of \$25m delivered in FY14, partly offset by \$10m increased operating costs and \$12m capital expenditure
- Centralised procurement, property, financial shared services and IT functions established
- Operations excellence programme rolled out to key manufacturing sites across NZ and Australia
- Incremental benefits of \$25m expected to be generated in FY15
- Total benefits from FBUnite estimated at \$100m by FY18



Outlook

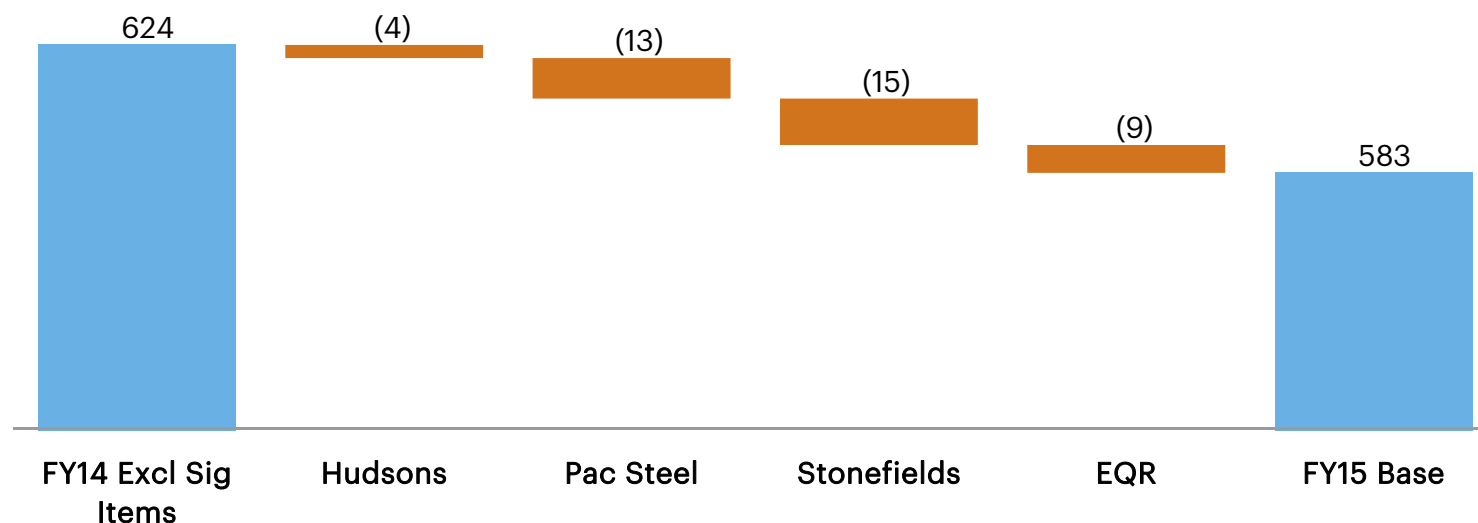
Fletcher Construction, Waterview Tunnel Auckland



Outlook FY15

- FY15 performance will be impacted by businesses sold in FY14, along with completion of Stonefields subdivision in Auckland and Canterbury Home Repair Programme
- Further cost savings from FBUnite will partly offset these earnings impacts

FY14 EBIT from Continuing Operations **NZ\$m**



Outlook FY15

New Zealand

- Strong activity levels in New Zealand expected to continue across residential, commercial and infrastructure
- Continued work in Canterbury around horizontal infrastructure repairs and new commercial building activity. Home repair programme to be substantially complete by December 2014

Australia

- Improved outlook for residential and commercial construction, but continued subdued activity in mining and infrastructure sectors

North America

- Modest improvement in residential, but commercial sector flat

Europe

- Stable market conditions overall with growth expected in the UK

Asia

- Slower China growth and political instability in Thailand will temper performance





Annual Results to 30 June 2014

Mark Adamson - Chief Executive Officer

Nick Olson - Chief Financial Officer

20 August 2014

Appendix: Building consent data

Building Consents	June 2012 12 months	June 2013 12 months	June 2014 12 months	14/13 % Mvmt
New Zealand				
Residential Consents	15,414	18,783	23,260	+24
Non Res WPIP (\$m)	4,452	5,028	5,168	+3
Infrastructure WPIP (\$m)	6,402	7,314	7,055	-4
Australia	<i>Source: Infometrics</i>			
Residential Consents - Standalone houses	91,093	93,546	107,920	+15
- Multi residential and other dwelling types	58,867	66,695	85,266	+28
- Total	149,960	160,241	193,186	+21
Non Res WPIP (A\$Bn)	34.9	32.0	34.2	+7
Infrastructure WPIP (A\$Bn)	118.3	130.2	131.0	+1
US (Billions of 2010 US\$) Calendar Years	<i>Source: ABS</i>			
Residential Consents (US\$Bn)	252	284	330	+16
Non Res WPIP (US\$Bn)	344	358	347	-3
Infrastructure WPIP (US\$Bn)	208	214	211	-1

Source: HIS Global Insight

