



Presentation to Macquarie Australia Conference

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6 May 2015

Disclaimer

This presentation contains not only a review of operations, but also some forward looking statements about Fletcher Building and the environment in which the company operates. Because these statements are forward looking, Fletcher Building's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the 2015 Half Year Results announcement, are all available on the company's website and contain additional information about matters which could cause Fletcher Building's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Fletcher Building.



Presentation outline

Fletcher Building Overview

Update on group strategy performance

Key trends and group performance

Cash and Financial Management

Outlook



Fletcher Building Overview

Fletcher Building is an integrated manufacturer and distributor of infrastructure and building products, as well as a construction company

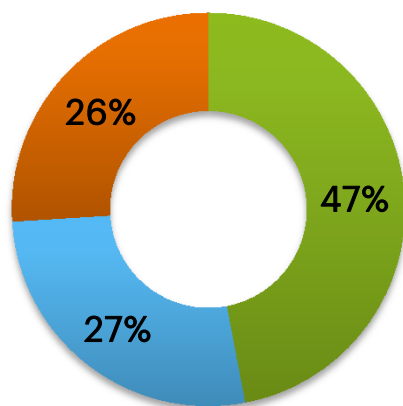
Revenue – 12 months to 30 June 2014: NZ\$8,413m

Market Capitalisation¹: NZ\$5.7Bn

Employees: 19,000

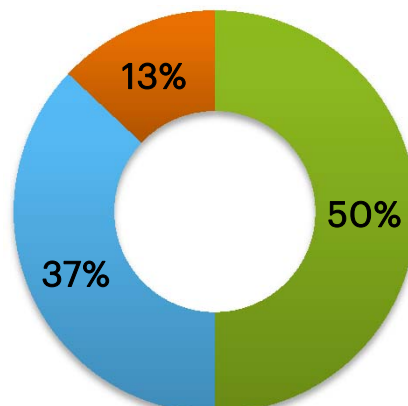
Shareholders

(as at Dec 2013)



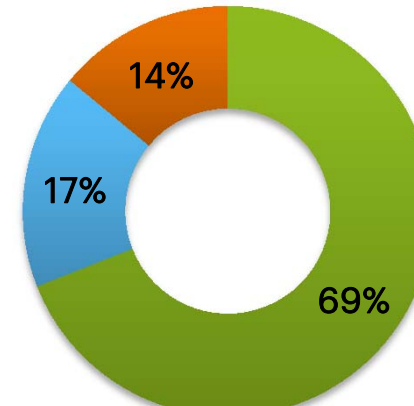
Revenues

(6 months to Dec 2014)



EBIT

(6 months to Dec 2014)



■ New Zealand ■ Australia ■ Rest of World


¹ Market Capitalisation as at 28 April 2015



Fletcher Building: a global company, with dual listing on the NZX, ASX and a head office in Auckland

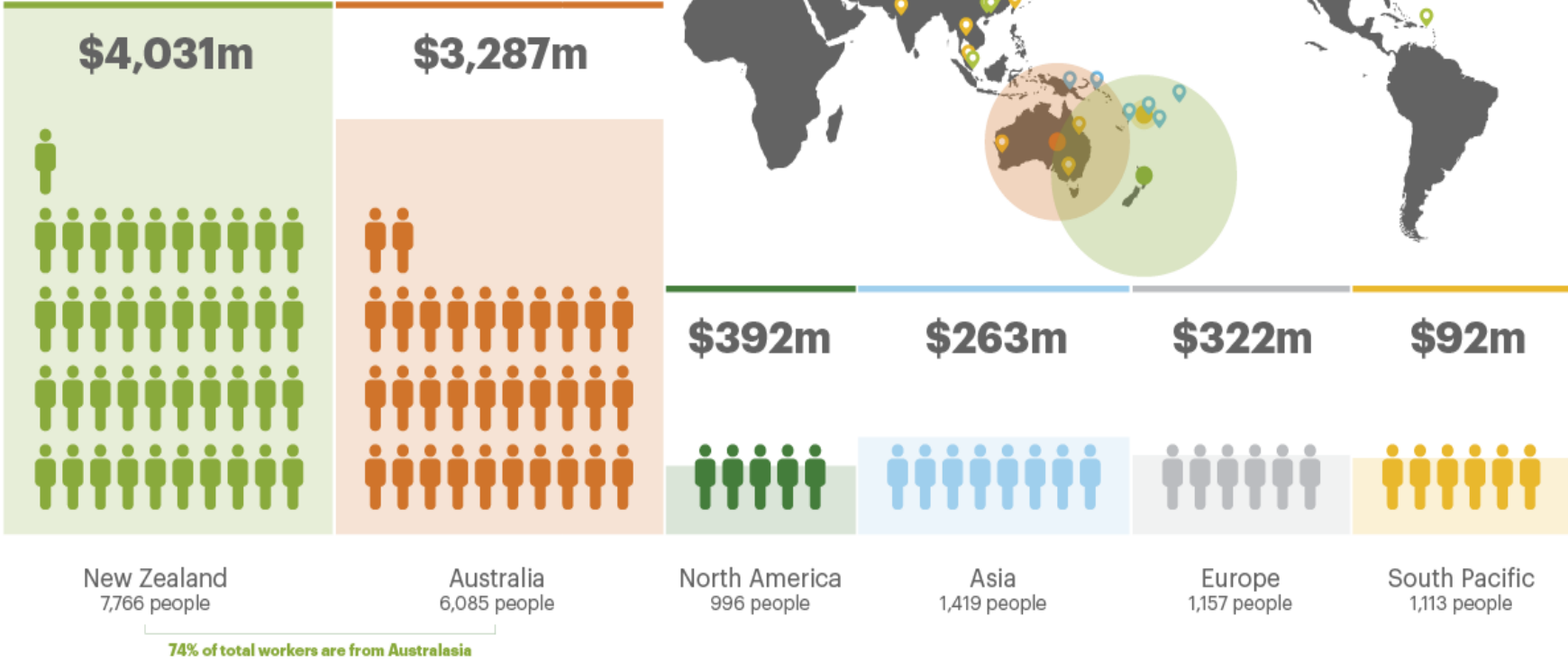
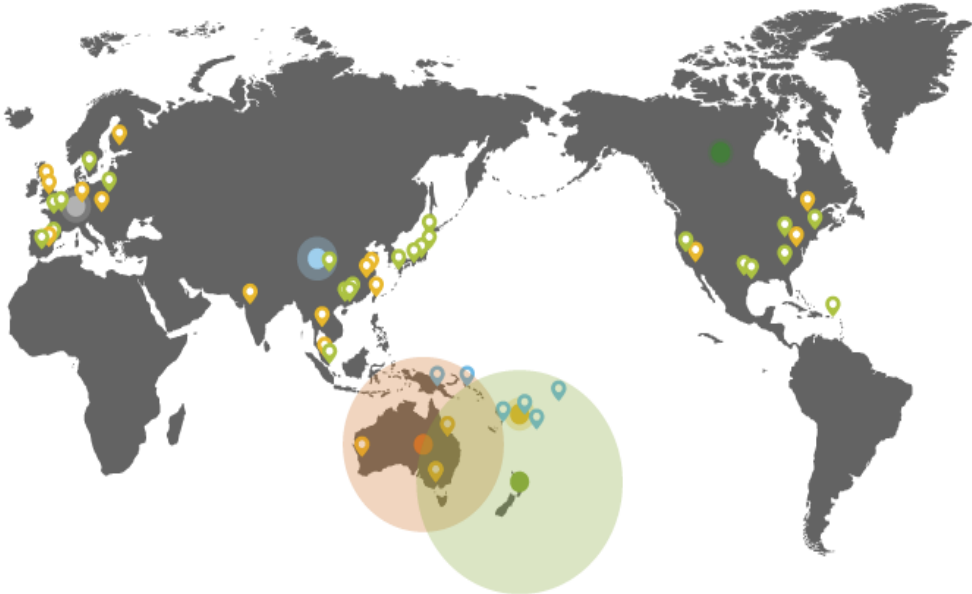
Revenue: \$8.4billion

People: 19,000

 Full time worker equivalent
1 = 1% of total #

 External revenue
FY14 (\$m)

 Manufacturing sites  Distributions centres  Fletcher Construction South Pacific



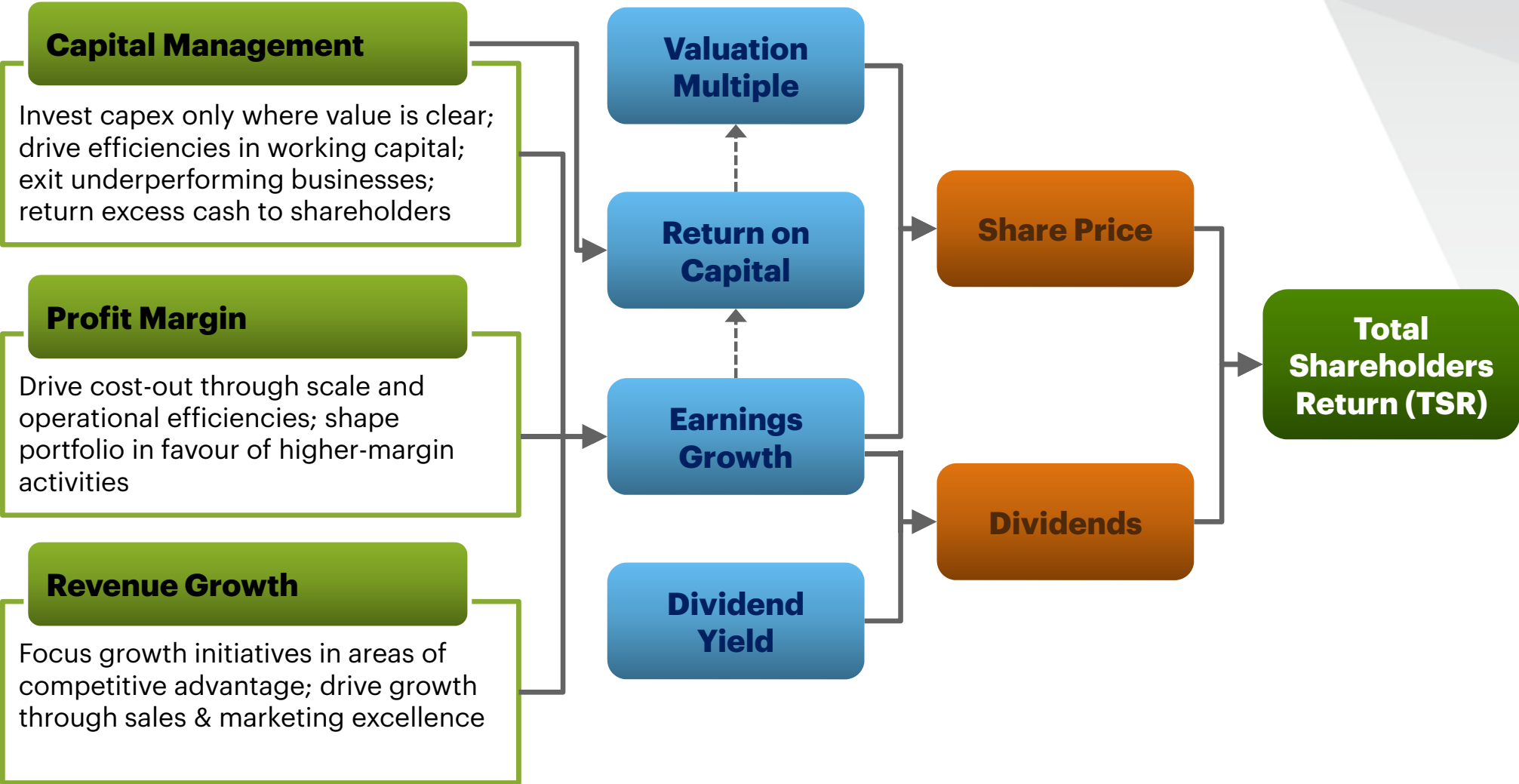
Strategy Update



**Penrose Campus Redevelopment,
Auckland**



Our aspiration: to deliver top-quartile shareholder value creation through driving core operational levers



Strategy is deployed at three levels of the organisation

Where are we now?

Group Portfolio Management

- Clear view of sustainable competitive advantage
- Focus on greatest value-creating opportunities
- Clarity on where to invest, hold and divest

Support from an Active Centre

- Leveraging scale and skill to create a whole that is greater than the sum of the parts
- Central functions and centres of excellence

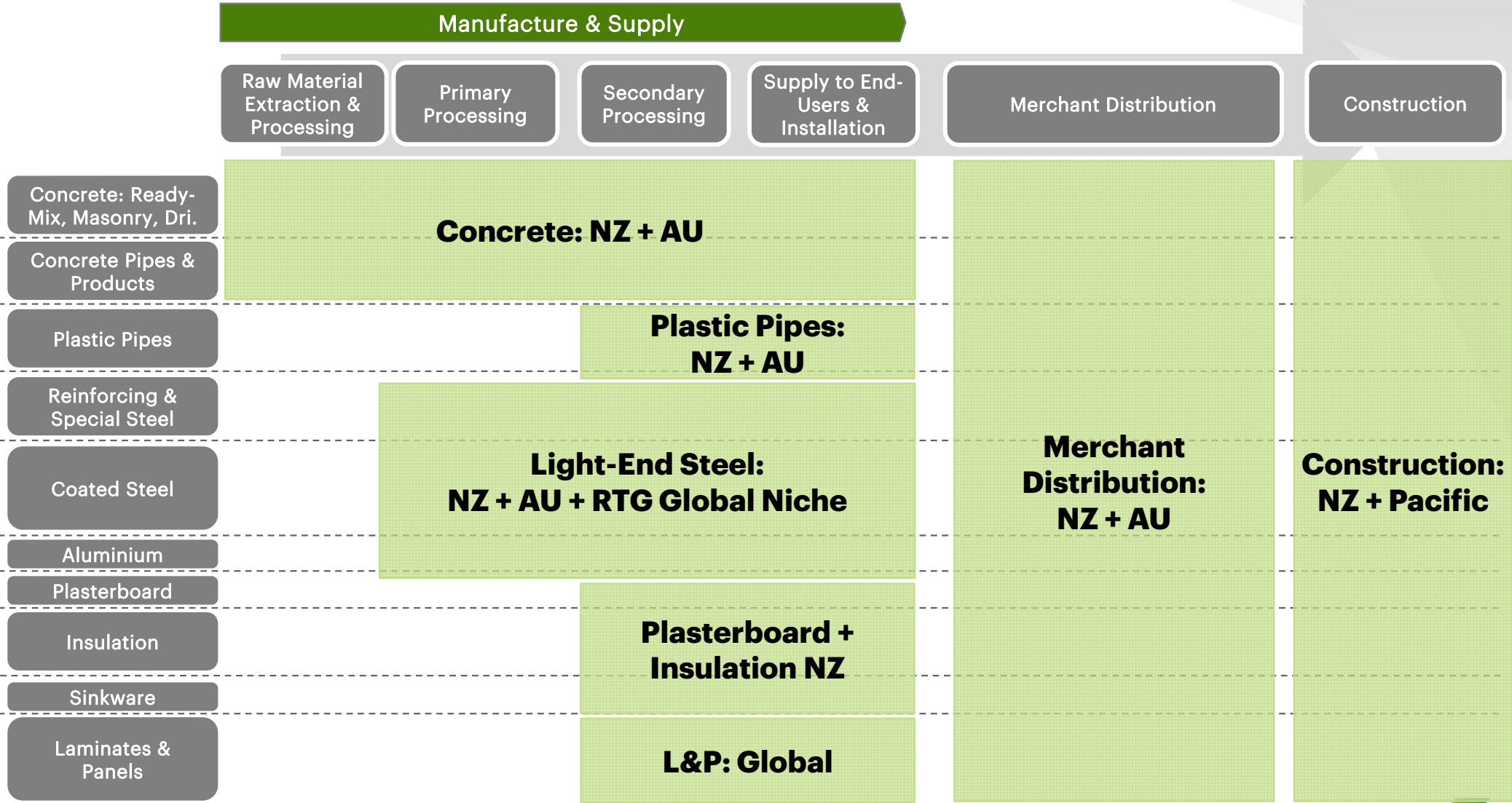
Business Unit Strategy

- Clarity on how to win in the market
- Aligned, focused execution of initiatives
- Development of people and capability

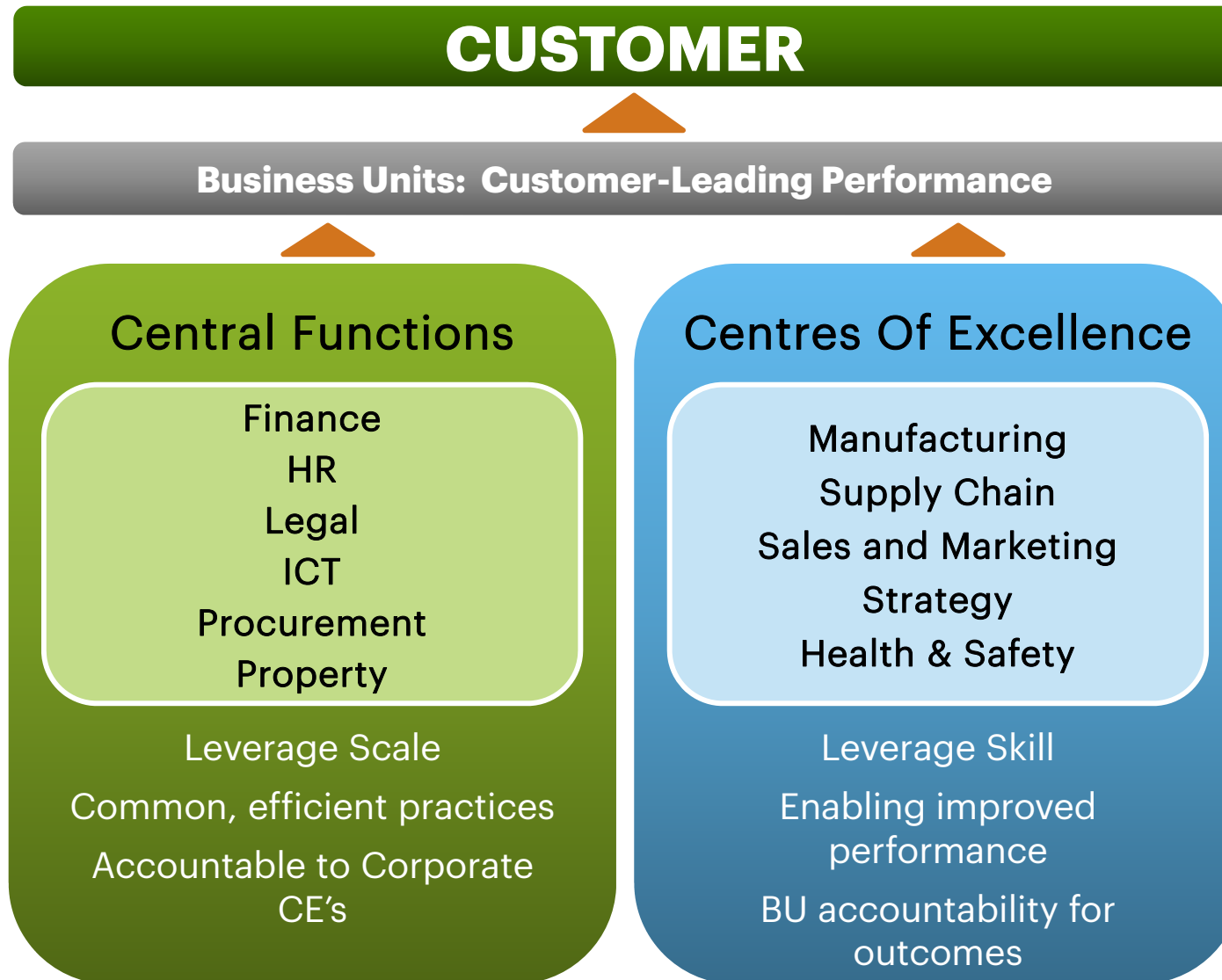
- Vision defined
- In execution phase
- M&A outcomes
- Organisation in place
- Programs ~80% developed
- Need to drive benefits
- Variable performance
- Capability being lifted
- Opportunities to improve execution, incl. leveraging of the Centre



Fletcher Building's Strategy is focused on 7 Key areas



FBUnite business transformation programmes are now fully integrated into the FBU business model



To achieve our aspirations, we have a clear set of strategic priorities

Objectives:
What does success mean?

Our aspiration is to be....

In the top quartile of Australasian companies for shareholder value creation

....which means delivering...

Sustained earnings growth, via higher margins & share gains

and

more efficient use of capital

Strategic Priorities:
How do we make it happen?

<p>People</p> <p><i>Create a great place to work</i></p>	<ul style="list-style-type: none"> • Safety • Leadership • Capability • Culture: High performance, High-engagement
<p>Customers</p> <p><i>Deliver what they value</i></p>	<ul style="list-style-type: none"> • Digital leadership • Sales & marketing excellence
<p>Efficiency</p> <p><i>Work smarter together</i></p>	<ul style="list-style-type: none"> • IT solutions • Manufacturing excellence • Procurement • Property • Shared services
<p>Profitable Growth</p> <p><i>Invest where we can win</i></p>	<ul style="list-style-type: none"> • Targeted growth initiatives • Disciplined capital expenditure • Portfolio Management

↑
 Supply chain excellence
 ↓



Key trends and group performance



Firth EnviroPave, Beachlands



Half Year Highlights

NZ Volumes Growth:

Cement	+13%
Aggregates	+7%
Concrete	+17%
Concrete Products	+10%
Plasterboard	+8%
Steel Reinforcing	+32%
Doors & Windows	+8%

Australian Volume Growth:

Insulation	+12%
Laminex	+5%

Residential:

- Strong growth in earnings +18%
- Increased number and range of homes in the market
- Increased land purchases

Canterbury:





Over 65,000 permanent repairs completed

Further FBUnite Progress:

- \$14m additional cost savings delivered in first half
- On track incremental benefits to deliver \$25m in FY15



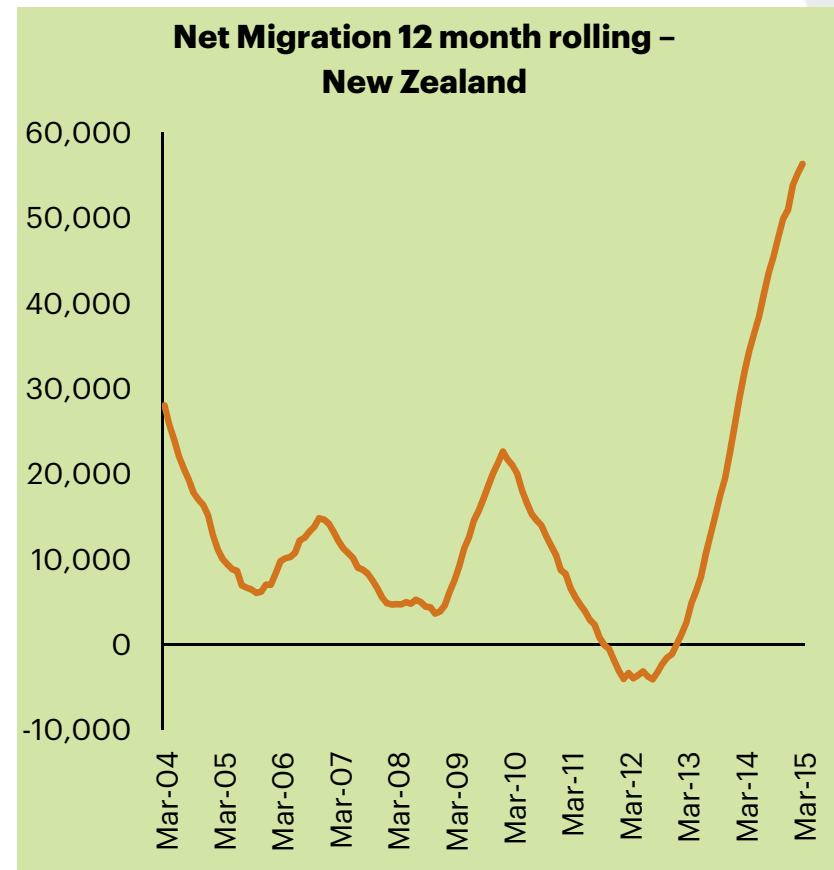
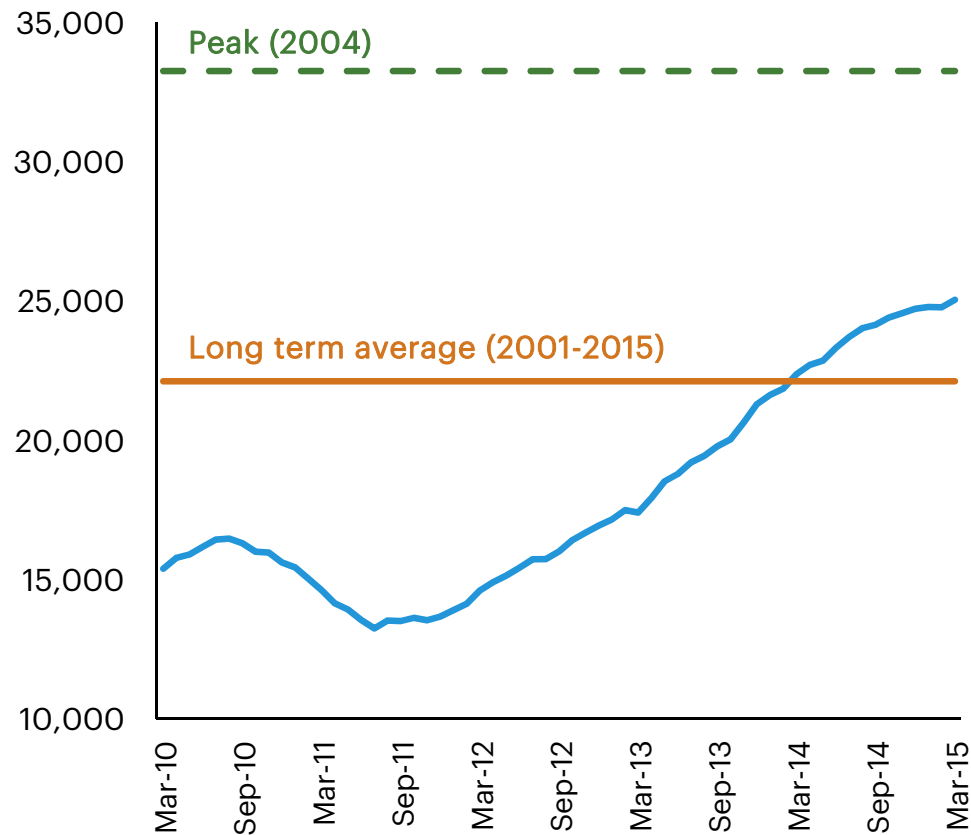
Performance issues in Australian businesses are being addressed

			
Plumbing and bathroom distribution	Concrete Products	Roofing Sheds + Commercial structures	Plastic Pipes
<ul style="list-style-type: none"> ▪ Performing in line with plan ▪ Key areas of focus: <ul style="list-style-type: none"> – Merchandising, pricing and sales force effectiveness – Work streams now underway for supply chain and customer value proposition 	<ul style="list-style-type: none"> ▪ Market remains competitive with continued deferral of infrastructure projects ▪ Well positioned for market recovery ▪ Focused on self-help to reduce costs and improve margins 	<ul style="list-style-type: none"> ▪ Lower volumes and industry over-capacity impacting performance ▪ Opportunity to streamline supply chain and rationalise footprint to lower breakeven 	<ul style="list-style-type: none"> ▪ New management team in place ▪ Coal Seam Gas volumes remain depressed ▪ Well-advanced customer, product and manufacturing strategies focused on right-sizing capacity and building sustainably profitable core



New Zealand residential consents up 11% to 25,038

Total residential consents 12 month rolling – New Zealand

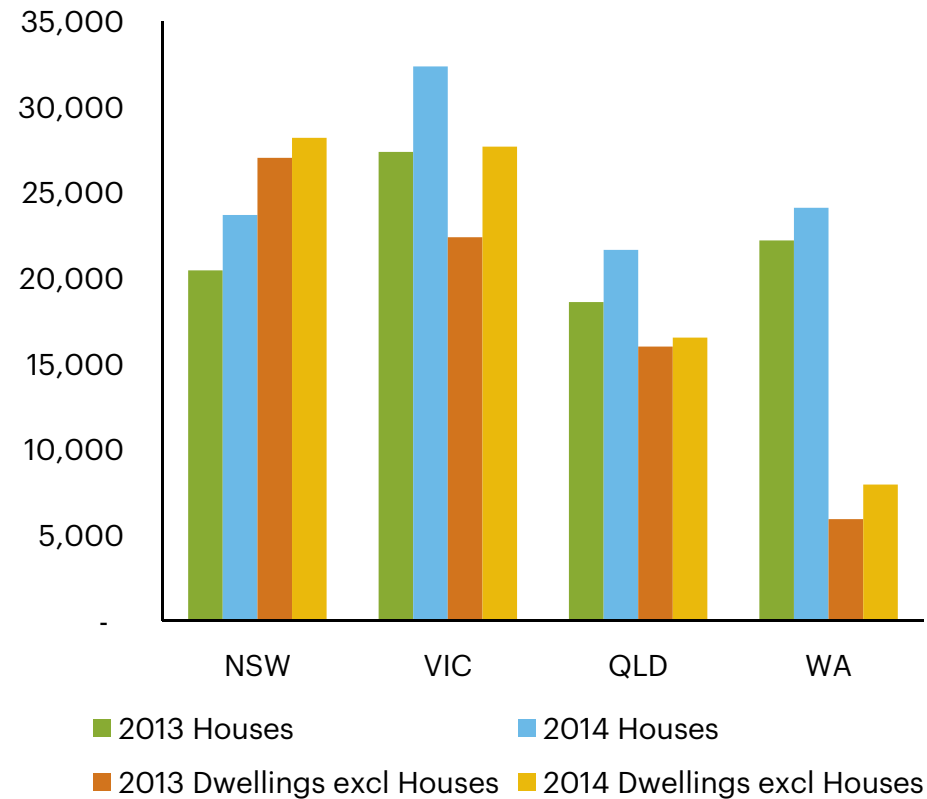
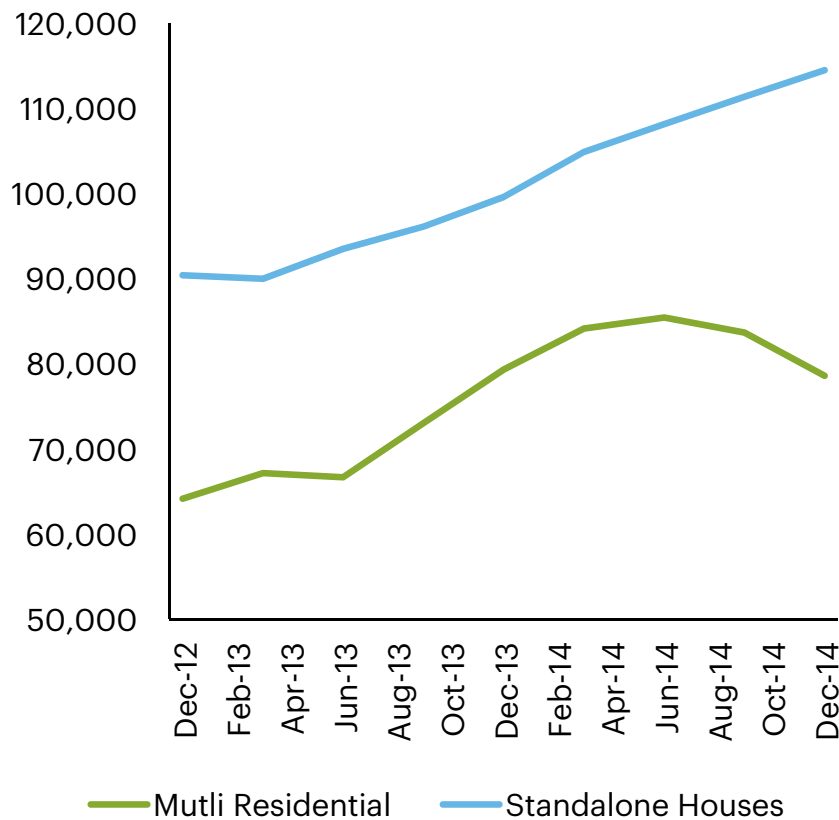


Source: Statistics NZ, Infometrics



Australian residential consents up 12% with strong recovery in stand-alone housing

Total residential consents 12 month rolling – Australia



Source: Australian Bureau of Statistics, BIS Shrapnel



Cash and Financial Management

Decra Roofing Systems, Kenya

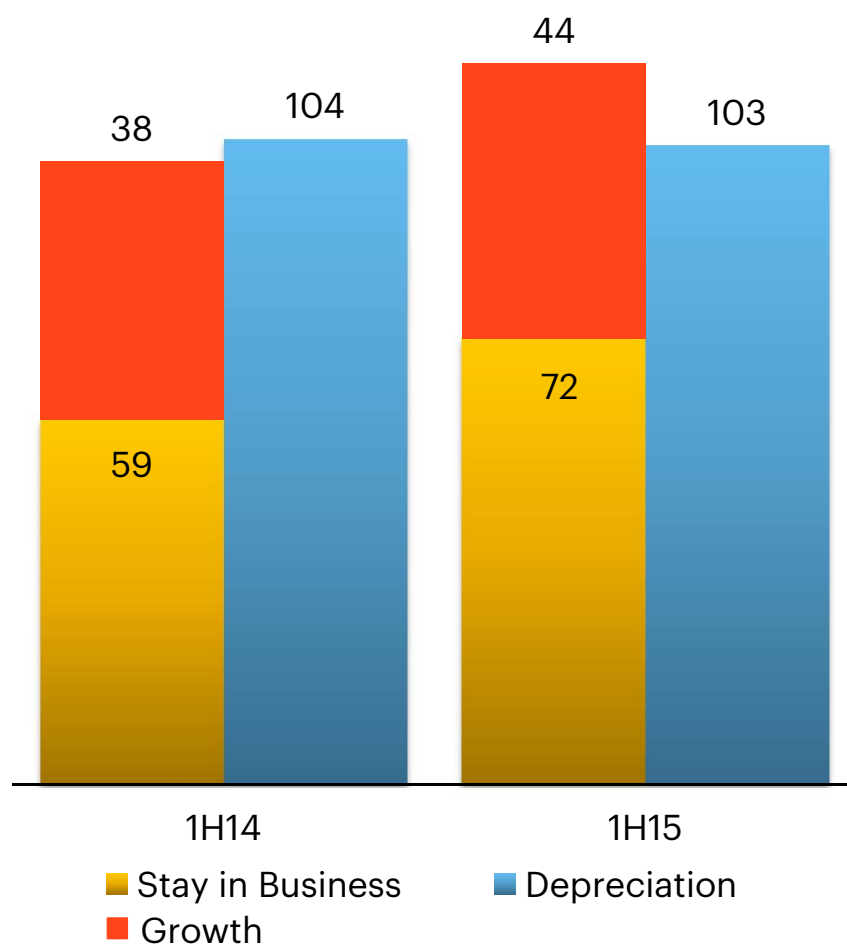


Operating cash flow

NZ\$m	Dec 2013 6 months	Dec 2014 6 months
Operating earnings before significant items	281	290
Depreciation and amortisation	104	103
Less cash tax paid	(32)	(29)
Less interest paid	(66)	(63)
Other non-cash adjustments	(20)	(19)
Results from operations before working capital adjustments	267	282
Land inventory purchases	(4)	(100)
Other working capital movements	(84)	(36)
Cash flows from operating activities	179	146



Capital expenditure expected to be at bottom end of guidance range (\$275m to \$325m)



NZ\$m	Dec 2013 6 months	Dec 2014 6 months	% Δ
Stay-in-business	59	72	+22
Growth	38	44	+16
Total Capex	97	116	+20
Acquisitions	4	0	
Depreciation	104	103	-1



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 31 December 2014: 34%

Leverage

- Target Net Debt to EBITDA of 2.0 to 2.5 times
- As at 31 December 2014: 2.28 times¹

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 before significant items

1. Based on annualised 6 month EBITDA before significant items



Outlook



Laminex, Australia



Outlook FY15

New Zealand

- Residential consents continuing at levels above long run trend
- Encouraging outlook for commercial construction
- Civil infrastructure driven by ongoing government investment

Australia

- Residential construction expected to remain strong
- Non-residential outlook challenging:
 - Declining mining and resources investment
 - Uncertainty over government infrastructure spending intentions

North America

- Expected to track higher

Europe

- Conditions mixed, with a weak economic outlook

Asia

- Further volume growth in South East Asia, but China increasingly competitive



Outlook FY15

FY15 performance will be impacted by businesses sold in FY14, and substantial completion of the Canterbury Home Repair Programme


Earnings from Fletcher Living residential development business now forecast to be up year-on-year

Further cost savings from FBUnite of \$25m in FY15

Operating earnings before significant items expected to be at lower end of guidance range of \$650m to \$690m



Appendix 1: Divisional and Business Unit Overview

Heavy Building Products: <i>Matt Crockett (from 1 July 15)</i>	Light Building Products: Francisco Irazusta
 <ul style="list-style-type: none"> • Firth + Humes • Golden Bay Cement + Aggregates • Rocla Products • Rocla Quarries • Iplex Australia • Iplex New Zealand 	 <ul style="list-style-type: none"> • Winstone Wallboards + Tasman Insulation • Stramit • Coated Steel • Roof Tile Group • Aluminium • Insulation Australia • Sinkware
Distribution Australia: Tim Hickey	Distribution NZ: Dean Fradgley
 <ul style="list-style-type: none"> • Tradelink 	 <ul style="list-style-type: none"> • Placemakers + Forman Distribution • Mico • Steel Distribution + Pacific Coilcoaters
Laminates & Panels: Paul Zuckerman	Construction: Graham Darlow
 <ul style="list-style-type: none"> • Laminex Australia • Laminex NZ • Formica Asia • Formica North America • Formica Europe • Homapal 	 <ul style="list-style-type: none"> • Building & Interiors + Forman Contracting • Infrastructure • South Pacific • Housing • Fletcher Living • EQR

■ Consolidated within Division ■ Transferred into new Division



Appendix 2: Sectoral exposure

Exposures based on revenues

Geographical Exposure by Sector¹	Residential (New/A&A)*	Commercial	Infrastructure	Other
New Zealand	47%	30%	18%	5%
Australia	49%	27%	12%	12%
Rest of World	44%	51%	0%	5%
Total Manufacturing	47%	32%	13%	8%
New Zealand	87%	13%	0%	0%
Australia	41%	59%	0%	0%
Total Distribution	67%	33%	0%	0%
New Zealand	17%	48%	35%	0%
Rest of World	0%	50%	50%	0%
Total Construction	15%	48%	37%	0%

1. Excludes NZ and Australian Distribution businesses

* A&A – Additions and Alterations

