



# Investor Presentation September 2013

**Mark Adamson** - Chief Executive Officer

**Nick Olson** - Chief Financial Officer

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# Disclaimer

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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 2013 Annual 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.



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# Presentation outline

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**Fletcher Building at a glance**

**Results Overview**

**Business Transformation Programme**

**Outlook**

**Supplementary Information**

- Divisional Performances



# Fletcher Building at a glance

**Revenue – 12 months to 30 June 2013:**

**NZ\$8.52 billion**

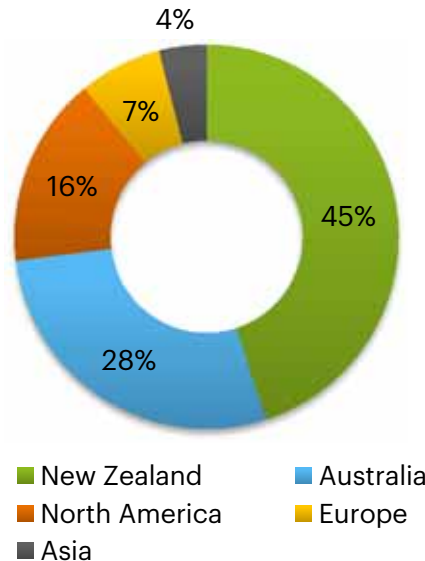
**Market Capitalisation:**

**NZ\$5.90 billion**

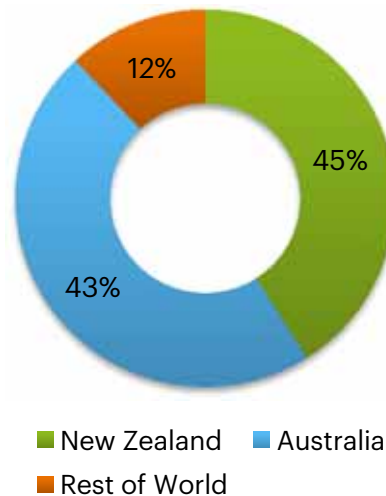
**Employees:**

**18,830**

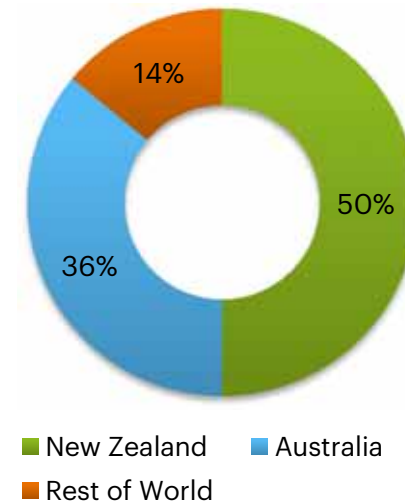
**Shareholders:**  
(as at 30 June 2013)



**Revenues:**  
(year to 30 June 2013)



**EBIT**  
(year to 30 June 2013)



# Business structure grouped around 5 divisions



## Infrastructure Products

## Building Products

## Laminates & Panels

## Distribution

## Construction

- Cement
- Readymix
- Aggregates
- Concrete Products
- Concrete pipes
- Quarries
- Long steel
- Reinforcing bar, mesh and wire
- Iplex pipelines
- Copper tube

### Building Materials Manufacture

- Plasterboard
- Insulation
- Roof tiles
- Coated steel
- Aluminium windows & doors
- Sinkware

### Laminex

- MDF
- Particleboard
- LPM
- HPL

### Formica

- HPL

### New Zealand

- 57 PlaceMakers branches
- 12 PlaceMakers frame and truss sites
- 63 Mico branches

### Australia

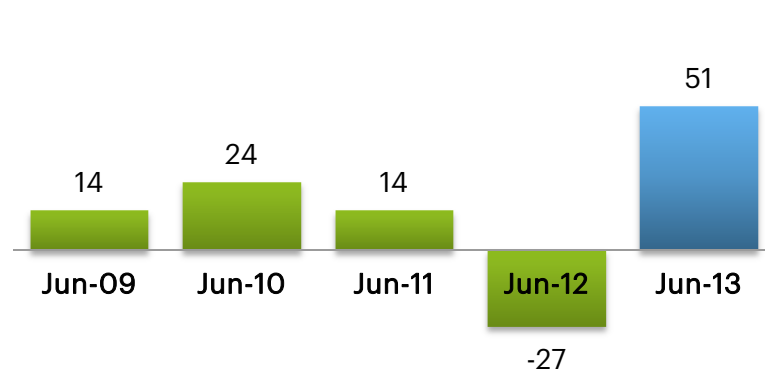
- 223 Tradelink branches
- 17 Hudson Building Supplies branches
- 12 Northern's Plumbing Supplies branches

- General construction
- Infrastructure projects
- Residential house development

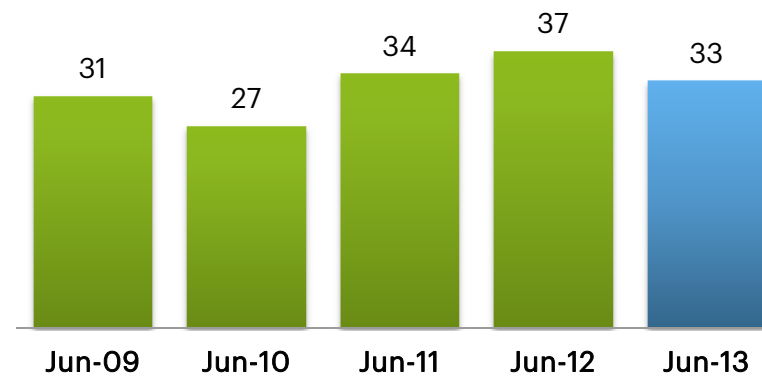


# 5 year performance overview

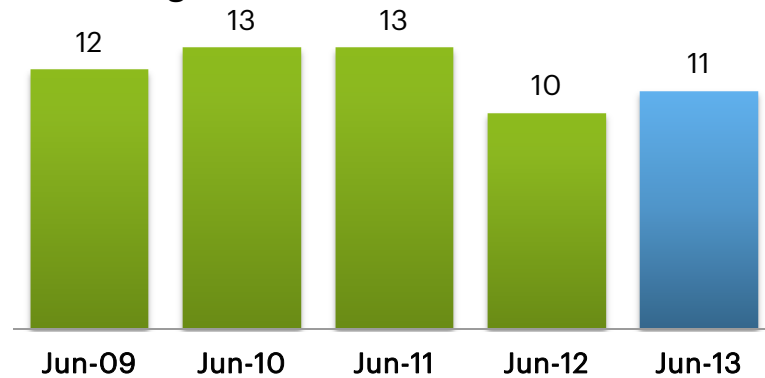
**Total Shareholder Return (TSR)  
Percentage**



**Debt/Debt Plus Equity  
Percentage**



**Return on Average Funds  
Percentage<sup>1</sup>**



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



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# Strategic overview

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## **Fletcher Building: Who Are We**

An integrated manufacturer and distributor of infrastructure and building products, as well as a construction company

## **Fletcher Building: How We Create Value**

Building, acquiring and managing strong asset positions in core markets

Building positions in the value chain ranging from the customer upstream to raw material extraction

Empowering our business units to build deep customer, product and market knowledge to grow share

Leveraging our size and scale to drive efficiencies and invest in world class capabilities



# Results Overview



CSP Pacific streetlight columns, Auckland





# Financial results overview

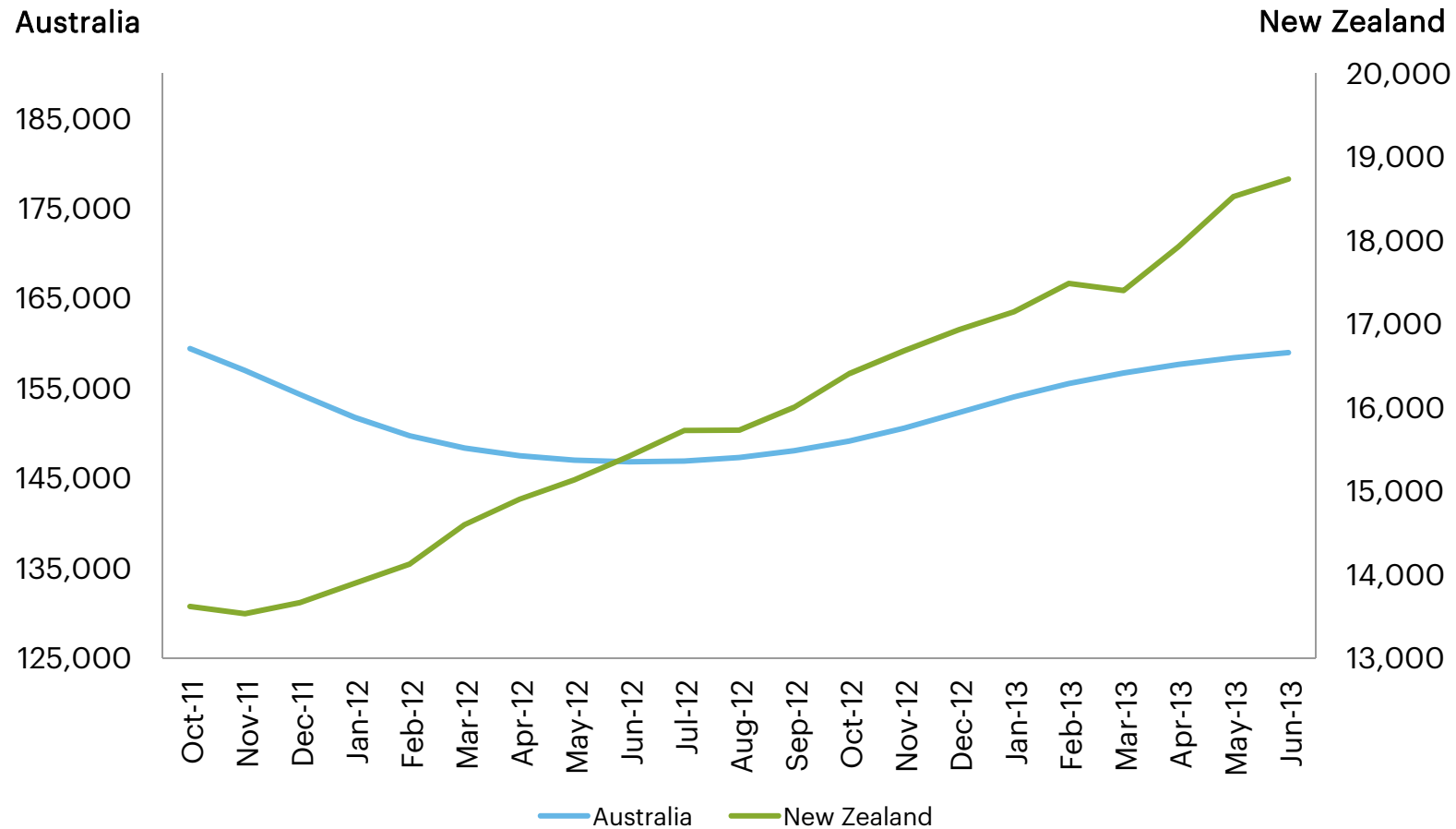
<b>NZ\$m</b>	June 2012 12 months	<b>June 2013</b> <b>12 months</b>	% Δ
Sales	8,839	<b>8,517</b>	-4
EBITDA <sup>1</sup>	786	<b>789</b>	-
EBIT <sup>1</sup>	556	<b>569</b>	+2
Net earnings <sup>1</sup>	317	<b>326</b>	+3
Significant items after tax	(132)	<b>0</b>	
Net earnings	185	<b>326</b>	+76
EPS - cps <sup>1</sup>	46.5	<b>47.6</b>	+2
Dividend - cps	34.0	<b>34.0</b>	-

1. EBITDA, EBIT, Net Earnings and EPS all before significant items



# Continued upward trend in New Zealand residential consents throughout the past year

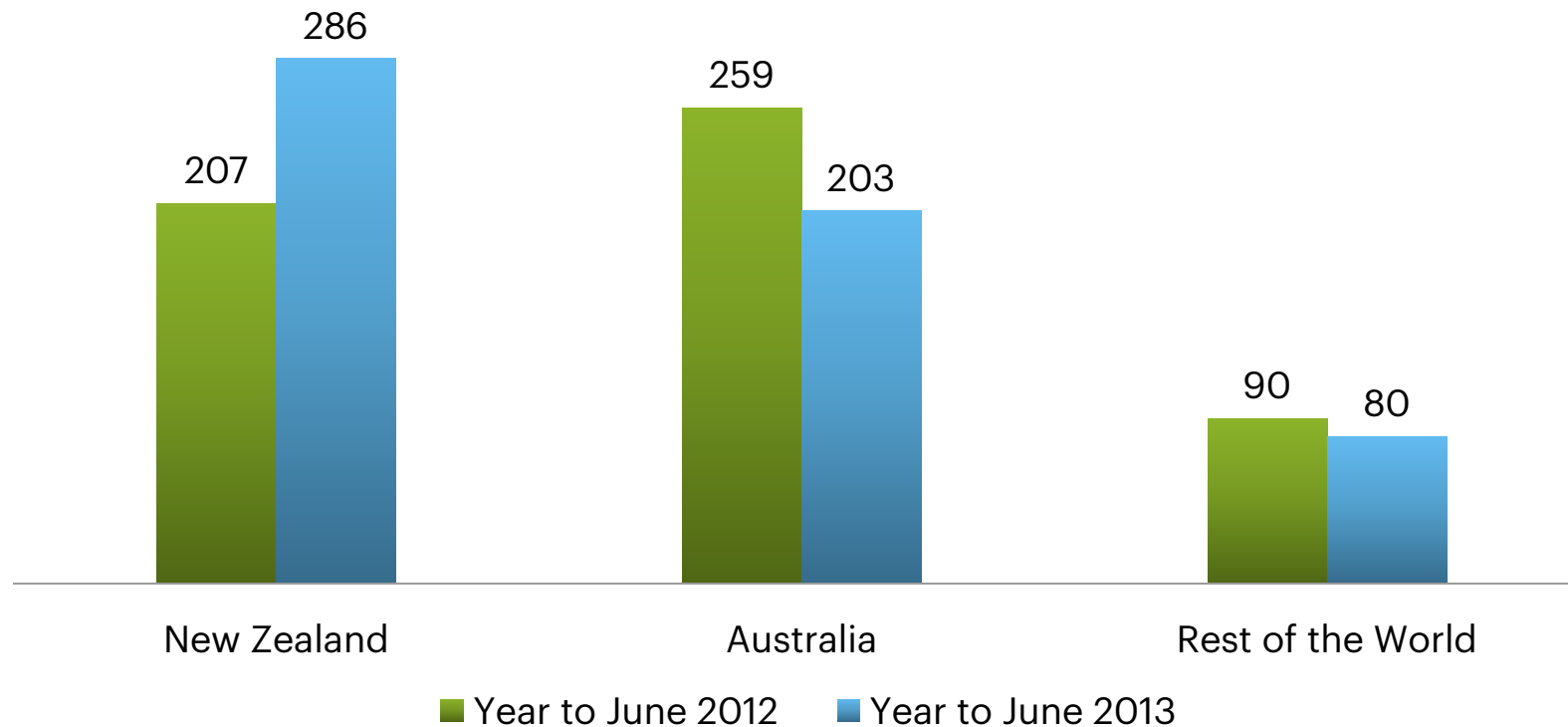
**Total residential consents 12 month rolling – New Zealand and Australia**



## New Zealand operating earnings up strongly with volume growth, while most other markets were down

**EBIT<sup>1</sup>**

**NZ\$million**



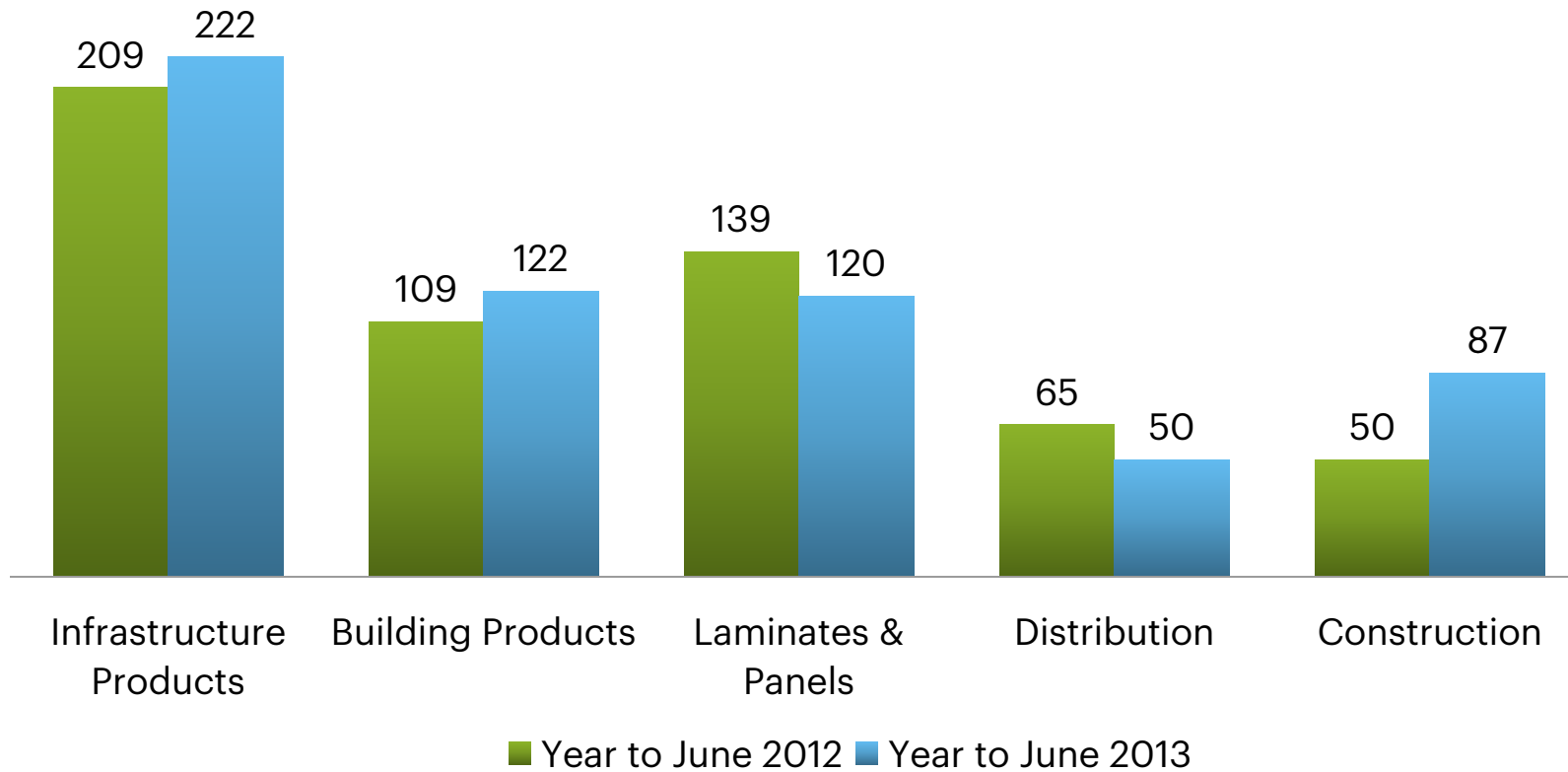
1. EBIT before significant items



# Divisional operating earnings overview

**EBIT<sup>1</sup>**

**NZ\$million**



1. EBIT before significant items



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# Earnings commentary

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New Zealand operating earnings<sup>1</sup> up 38%, driven by increased house-building activity and repairs and rebuilding work in Canterbury

Deterioration in Australian volumes evident early in the year, and the market remained soft throughout FY13

Improvement in North America, but Europe worsened and Asia was mixed

Revenues down due to sale of businesses:

- Cory's Electrical (December 2012)
- Mico Metals and Austral Wright (June 2012)

Operating cashflow up 25% with increased contributions from Building Products, Distribution and Construction Divisions

New organisation structure now based around 5 Divisions

All restructuring charges taken 'above the line' offset by gains on sale of businesses and property disposals

1. Excluding significant items



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# Canterbury update

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## **Considerable progress on repairs**

42,000 full scope repairs completed: half-way point now passed

\$1.3 billion of work completed

Repairs to the final Earthquake Commission referred property are now expected to be completed in December 2014

## **NZ Govt and Christchurch City Council ('CCC') to share cost of Central Christchurch rebuild and horizontal infrastructure:**

Anchor projects in CBD costing \$1.9Bn: NZ Govt \$1.1Bn, CCC \$0.778Bn

- Includes Convention Centre, Performing Arts Precinct, Stadium

Horizontal Infrastructure to cost \$2.9Bn: NZ Govt \$1.8Bn, CCC \$1.1Bn

## **Total cost of Canterbury rebuild estimated at \$40Bn:\***

Residential: \$18Bn

Commercial & Social: \$15Bn

Infrastructure: \$5Bn

\* Source: NZ Govt/Treasury Budget Estimates



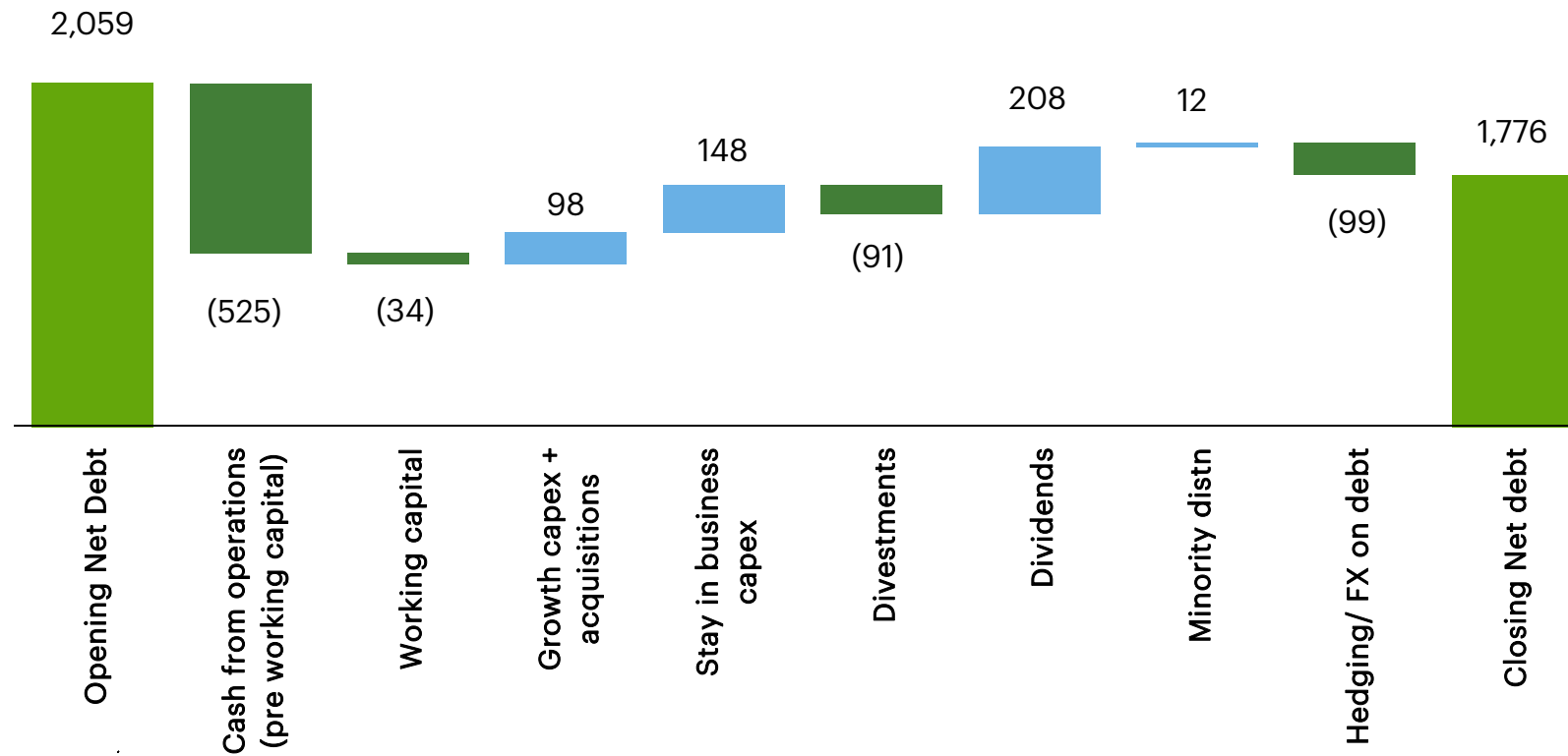
# Cashflow from operations increased by 25%

	June 2012 12 months	<b>June 2013 12 months</b>	% Δ
<b>EBITDA</b>	633	<b>789</b>	25
Funding costs	(152)	<b>(146)</b>	-4
Cash tax paid	(123)	<b>(60)</b>	-50
Non cash unusual impact	122	<b>0</b>	-
Provisions movement/other	(23)	<b>(58)</b>	248
<b>Working capital movements:</b>			
Debtors	15	<b>34</b>	
Creditors	(115)	<b>(6)</b>	
Stock	71	<b>12</b>	
Other	20	<b>(6)</b>	
	(9)	<b>34</b>	
<b>Cashflow from operations</b>	448	<b>559</b>	+25



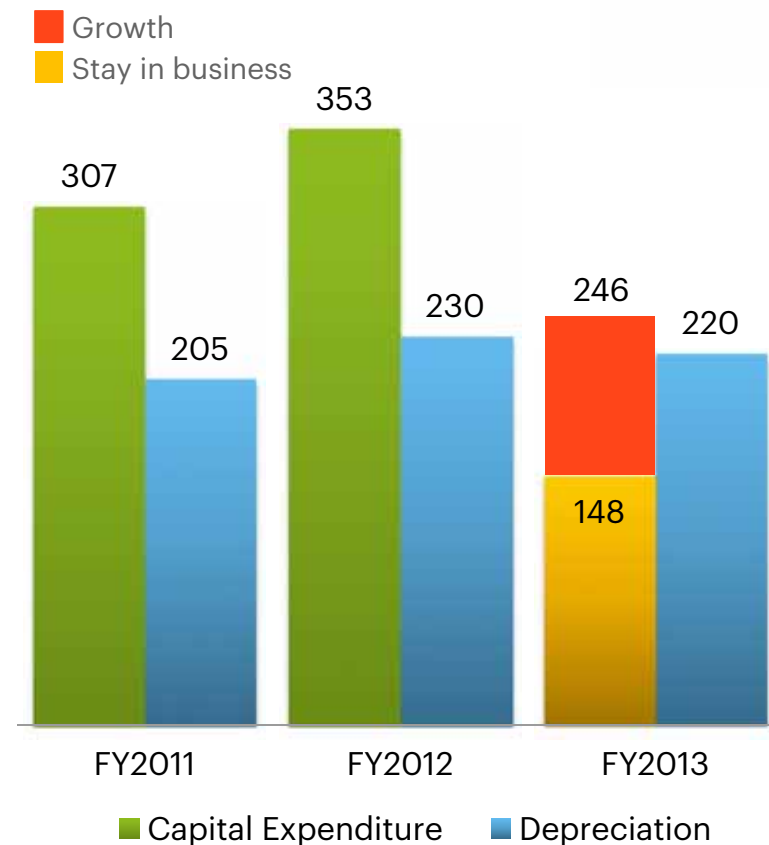
# Reduction in net debt due to proceeds from divestments and operating cashflows

NZ\$million





## Capital expenditure to increase modestly in FY14 – includes investment in FBUnite projects



	June 2012 12 months	June 2013 12 months	% Δ
Stay-in-business	207	<b>148</b>	-29
Growth	60	<b>85</b>	+42
Acquisitions	86	<b>13</b>	-86
<b>Total</b>	353	<b>246</b>	-30
<b>Depreciation</b>	230	<b>220</b>	-4

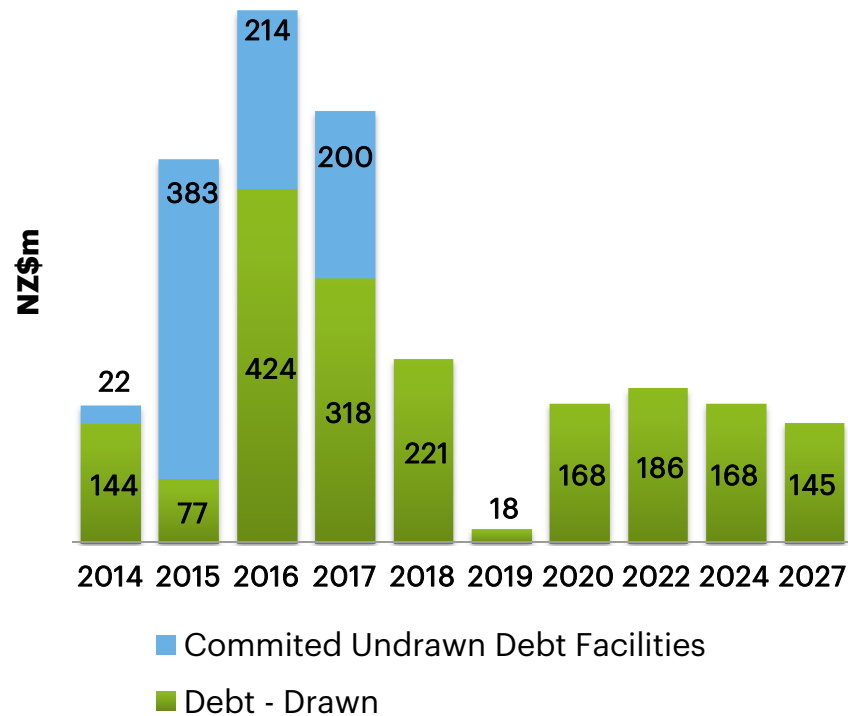
**For FY14, capital expenditure is expected to be in the range of \$250m-\$300m**

Some project deferral from FY13



# Debt maturity profile

## Funding and Maturity Profile



Undrawn credit lines and cash on hand of \$943 million.

Average maturity of debt is 5 years.

Approximately 74% of all borrowings have fixed interest rates.

Average interest rate on debt is 6.7%.







# Business Transformation

Fletcher Reinforcing, Auckland



# FBUnite: multi-year business transformation programme

 <p>PEOPLE</p> <p><b>Developing a winning culture.</b></p> <p><b>Organisational development</b> Learning Academy Leadership Performance management Talent management Global employee engagement</p> <p><b>Intranet</b></p> <p><b>HRIS</b></p>	 <p>INNOVATION &amp; GROWTH</p> <p><b>Responsive to market changes.</b></p> <p><b>Future distribution opportunities</b></p> <p><b>Future growth opportunities</b></p> <p><b>Digital</b> ICT roadmap Digital business strategy Customer/marketing/CRM</p>	 <p>PERFORMANCE EXCELLENCE</p> <p><b>Optimising operational performance.</b></p> <p><b>Network optimisation</b> Freight/logistics Distribution footprint</p> <p><b>Operational excellence</b> Manufacturing Supply chain Health &amp; Safety</p>	 <p>EFFICIENCY</p> <p><b>Creating the lowest possible cost structure.</b></p> <p><b>Procurement</b> Indirect Direct ICT</p> <p><b>Shared services centre</b> Finance – Accounts Payable/ Accounts Receivable HR – Payroll, learning and development Desktop support Purchasing</p> <p><b>Property</b> Portfolio management Rationalisation Transactions</p>
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# FBUnite transformation programme

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**All workstreams established with senior leadership teams in place**

**Specific Workstream updates:**

- Shared Services Centre being established in Auckland
- Group Procurement teams in place and a number of categories already completed
- Property review underway
- Manufacturing excellence programme launched
- Digital strategy now focussed on project prioritisation

**Total benefits arising from FBUnite expected to be in the range of \$75m-\$100m p.a.**

- Benefits should become evident in FY15
- Capital and operating expenditure will be incurred in FY14 which will offset early benefits





# Outlook



Formica DecoMetal® laminate, Heathrow Airport



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# Outlook FY2014

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## **New Zealand**

- New residential construction expected to be strong
- Canterbury repairs and construction activity will boost activity levels
- Steady improvement expected in civil infrastructure and commercial construction

## **Australia**

- Outlook remains uncertain with negative implications from slow-down in mining and resources investment
- No significant improvement in new housing starts expected, and mix of stand alone versus multi-residential an important factor

**Asia:** South-East Asia should remain strong but uncertain outlook for China and Taiwan

**North America:** Momentum in residential expected to continue, but commercial activity levels remain subdued

**Europe:** No material improvement foreseen in FY2014



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# Financial outlook FY2014

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## **Earnings growth expected to be driven by:**

- Sustained improvement in activity levels in New Zealand
- Operational efficiency gains

## **No significant volume growth forecast in Australia**

**Further update will be provided at Annual Shareholders Meeting on 16 October 2013**





# Supplementary Information

Dimond cladding, Auckland



# Infrastructure Products Result

<b>NZ\$M</b>	June 2012 12 months	<b>June 2013 12 months</b>	% Δ
Sales	2,299	<b>2,095</b>	-9
EBITDA	302	<b>312</b>	+3
EBIT	209	<b>222</b>	+6
Cement, Concrete + Aggs	69	<b>73</b>	+6
Pipes + Products	61	<b>67</b>	+10
Iplex/ CCT	68	<b>54</b>	-21
Steel	11	<b>28</b>	+255
Funds Employed	1,974	<b>1,841</b>	-7
EBITDA/sales %	13.1	<b>14.9</b>	
EBIT/sales %	9.1	<b>10.6</b>	
ROFE %	10.6	<b>12.1</b>	

## Cement, concrete & aggregates

New Zealand volumes improved:

- Cement volumes up 4%
- Aggregates volumes up 6%
- Readymix volumes up 19%

Australian quarry volumes decreased by 15% in soft market.

## Concrete pipes and products

Volumes down 9% in Australia and up 9% in New Zealand.

## Iplex

- Australian volumes down 4%, but underpinned by CSG contracts
- New Zealand volumes up

## Steel

Long steel volumes up 6% on improved New Zealand demand. Distribution earnings up due to business improvement initiatives



# Infrastructure Products

## Increased NZ activity drove volume growth

Gross Sales NZ\$m	June 2012 12 months	June 2013 12 months	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>Cement, concrete &amp; aggregates<sup>1</sup></b>	619	<b>669</b>	+8			
Cement				▲	▼	▼
Readymix				▲	-	▲
Aggregates:						
- New Zealand				▲	-	-
- Australia				▼	▲	▲
<b>Concrete pipes &amp; products<sup>2</sup></b>	495	<b>500</b>	+1			
New Zealand				▲	-	▲
Australia				▼	▲	-
<b>Long Steel</b>	269	<b>262</b>	-3	▲	-	▲
<b>Steel Distribution<sup>3</sup></b>	239	<b>220</b>	-8		-	▲
<b>Plastic Pipes</b>	791	<b>755</b>	-5			
New Zealand				▲	▼	▲
Australia				▼	▼	▼

1. Includes Firth, Golden Bay Cement, Winstone Aggregates and Rocla Quarry Products.

2. Includes Humes Pipelines and Rocla Pipeline Products.

3. Figures restated to exclude CSP Galvanising



# Building Products Result

<b>NZ\$M</b>	June 2012 12 months	<b>June 2013 12 months</b>	% Δ
Sales	1,390	<b>1,350</b>	-3
EBITDA <sup>1</sup>	146	<b>159</b>	+9
EBIT <sup>1</sup>	109	<b>122</b>	+12
Funds Employed	788	<b>770</b>	-2
EBITDA/sales %	10.5	<b>11.8</b>	
EBIT/sales %	7.8	<b>9.0</b>	
ROFE %	13.8	<b>15.8</b>	

1. Before significant items

## Plasterboard

Volumes and earnings up in strong New Zealand residential market.

## Insulation

Operating earnings down 23% due to continued competitive pressures in Australia and New Zealand.

## Coated Steel

Australian rollforming volumes down year on year, New Zealand volumes & earnings improved.

Restructuring initiatives reduced Stramit's cost base.

Roof Tile volumes up 10% with growth in New Zealand, Europe and Africa.



# Building Products

## Earnings ahead due to improvement in NZ market

<b>Gross Sales NZ\$m</b>	June 2012 12 months	<b>June 2013 12 months</b>	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>Building Products</b>	600	<b>584</b>	-3			
Plasterboard				▲	-	▲
Insulation <sup>1</sup>				▼	▼	▼
<b>Coated Steel Products</b>	954	<b>940</b>	-1			
Roof Tile Group <sup>2</sup>				▲	-	▲
Coated Steel NZ <sup>3</sup>				▲	-	▲
Coated Steel Australia				▼	-	▼

1. Includes Forman and Home & Dry

2. Includes NZ, Europe, Asia, Africa, USA

3. Includes Dimond and Pacific Coilcoaters



# Laminates & Panels Result

<b>NZ\$M</b>	June 2012 12 months	<b>June 2013 12 months</b>	% Δ
Sales	1,849	<b>1,738</b>	-6
EBITDA <sup>1</sup>	205	<b>180</b>	-12
EBIT <sup>1</sup>			
- Laminex <sup>1</sup>	68	<b>62</b>	-9
- Formica <sup>1</sup>	71	<b>58</b>	-18
Total EBIT	139	<b>120</b>	-14
Funds Employed	1,799	<b>1,788</b>	-1
EBITDA/sales %	11.1	<b>10.4</b>	
EBIT/sales %	7.5	<b>6.9</b>	
ROFE %	7.7	<b>6.7</b>	

1. Before significant items

## Formica

Operating earnings reduced by 18% due to declines in Europe and further Bilbao closure costs.

Volumes in North America up slightly. Operating earnings growth driven by improved margins and efficiency gains.

South-East Asia volumes up but China and Taiwan subdued.

European volumes down 5% with continuing weak demand.

## Laminex

Operating earnings 9% lower, with Australia down but New Zealand up strongly.

Revenues down 9% in Australia due to pressure on prices and margins.



# Laminates & Panels

## Volumes up in North America, down elsewhere

<b>Gross Sales NZ\$m</b>	June 2012 12 months	<b>June 2013 12 months</b>	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>Laminex</b>						
Australia	901	<b>816</b>	-9	▼	-	▼
New Zealand <sup>1</sup>	133	<b>117</b>	-12	▼	-	▲
<b>Formica</b>						
Asia	213	<b>205</b>	-4	-	-	-
Europe	294	<b>247</b>	-16	▼	-	▼
North America	336	<b>339</b>	+1	▲	-	▲

1. O'Briens countertop business sold in November 2012



## Formica: decline in earnings due to additional costs of Bilbao plant closure and lower volumes in Europe

<b>EBIT NZ\$m<sup>1</sup></b>	June 2012 12 months	<b>June 2013 12 months</b>	% Δ
Asia	38	<b>37</b>	-3
North America	34	<b>41</b>	+21
Europe	13	<b>(5)</b>	-
Corporate	(14)	<b>(15)</b>	-
Total EBIT	71	<b>58</b>	(18)

1. Excluding significant items





# Distribution Result

<b>NZ\$M</b>	June 2012 12 months	<b>June 2013 12 months</b>	% Δ
<b>Sales:</b>			
PlaceMakers	779	<b>850</b>	+9
Tradelink/Mico	1,482	<b>1,291</b>	-13
<b>EBITDA</b>	87	<b>71</b>	-18
<b>EBIT:</b>	<b>65</b>	<b>50</b>	
PlaceMakers	27	<b>36</b>	+33
Tradelink/Mico	38	<b>14</b>	-63
<b>Funds Employed:</b>			
PlaceMakers	141	<b>136</b>	
Tradelink/Mico	675	<b>567</b>	
<b>EBIT/sales %</b>			
PlaceMakers	3.5	<b>4.2</b>	
Tradelink/Mico	2.6	<b>1.1</b>	
<b>ROFE %</b>			
PlaceMakers	19.1	<b>26.5</b>	
Tradelink/Mico	5.6	<b>2.5</b>	

## PlaceMakers

Strong revenue growth due to recovery in residential homebuilding.

Earnings growth assisted by cost reduction and efficiency measures.

## Tradelink

Revenue down in difficult trading conditions

Branch improvement programme underway & early results encouraging



# Construction Result

<b>NZ\$M</b>	June 2012 12 months	<b>June 2013 12 months</b>	% Δ
Sales	1,040	<b>1,193</b>	+15
EBITDA	61	<b>95</b>	+56
EBIT	50	<b>87</b>	+74
Funds Employed	109	<b>69</b>	-37
EBITDA/sales %	5.9	<b>8.0</b>	
EBIT/sales %	4.8	<b>7.3</b>	
ROFE %	45.9	<b>126.1</b>	

Residential earnings up 55% due to strong house sales in Auckland.

Continued momentum in Canterbury with residential house repairs and earthquake recovery work.

Construction backlog of \$1,022m as at 30 June 2013.

- Preferred contractor/solution provider on \$640m of other projects.

Further land procured for new residential housing in Auckland.



## Strong improvement in New Zealand residential consents, but Australia flat

	June 2011 12 months	June 2012 12 months	<b>June 2013 12 months</b>	13/12 % Mvmt
Building Consents				
<b>New Zealand</b>				
Residential Consents	13,539	15,414	<b>18,731</b>	+22
Non Res WPIP (\$m)*	4,798	4,452	<b>5,010</b>	+13
Infrastructure WPIP (\$m)*	5,999	6,447	<b>6,817</b>	+6
<b>Australia</b>				
				<i>Source: Statistics NZ, Infometrics</i>
Residential Consents - Standalone houses	102,410	91,186	<b>93,224</b>	+2
- Other dwelling types	65,761	58,691	<b>64,308</b>	+10
- Total	<b>168,171</b>	<b>149,877</b>	<b>157,532</b>	+5
Non Res WPIP (A\$Bn)*	34.8	33.8	<b>33.8</b>	-
Infrastructure WPIP (A\$Bn)*	86.8	76.7	<b>86.8</b>	+13
<b>US</b>				
				<i>Source: ABS, BIS Shrapnel</i>
Residential Consents (US\$Bn)**	237.5	259.9	<b>290.5</b>	+12
Non Res WPIP (US\$Bn)**	333.2	347.1	<b>360.3</b>	+4
Infrastructure WPIP (US\$Bn)**	207.9	210.0	<b>212.1</b>	+1

\* FY13 data includes estimate for month of June 2013

\*\* Information presented for calendar years. 2013 represents forecast position

*Source: HIS Global Insight*



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# Fletcher Building – key listing information

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Listed on the New Zealand and Australian stock exchanges

## **New Zealand**

Largest listed company by market capitalisation on the NZX

## **Australia**

Ranked #48 on the ASX

Fletcher Building gained inclusion in the S&P/ASX 200 index in March 2011

## **US**

Level I sponsored American Depository Receipt (ADR) programme launched December 2010

Citi act as depository bank

Ticker: FCREY CUSIP: 339305302

