Building communities,
building lives.

Trading Update

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14 February 2018

Agenda
What we will cover today

1. Construction provision update
2. The future of B+I
3. Fletcher Building FY18 earnings guidance and interim dividend
4. Financial detail and debt outlook
5. Next steps

Construction
Business unit summary

	Focus	Current backlog[1]	Typical range of project size	Contracts	Top 5 projects as % of total backlog[1]	Average annual EBIT FY05-16
Infrastructure including Brian Perry	Building horizontal structures (roads, bridges, transport lines)	$682m	$1m - $350m	Fixed price (c60%) and alliances (c40%)	84%	$16m
Higgins	Pavement-laying, road maintenance, and asphalt production	$648m	$1m - $50m	Largely fixed price	17%	$35m
B+I	Commercial building projects	$926m	$1m - $450m	Predominantly fixed price or guaranteed maximum price	61%	$16m
South Pacific	Mainly commercial building in Pacific Islands, some infrastructure	$61m	$1m - $50m	Largely fixed price	79%	$9m

1. *As at 31 December 2017*

B+I
Overall portfolio

Total portfolio:

- 73 projects
- $2.8bn contract value
- 65% complete

Loss making/on watch:
- 14 key projects
- $2.3bn contract value
- 59% complete

Other projects:
- 59 projects
- $0.5bn contract value
- 67% complete

B+I fixed overhead costs ~$40m pa

B+I
Review process since October 2017

- CEO project reviews on sites
- Instigated a full review of 16 B+I projects, accounting for over 90% of the construction backlog
- Augmented this internal review process with external, independent construction experts
- Re-engaged KPMG with an expanded remit and integrated into review process

➢ Provided for a further $467m of losses across the B+I project portfolio, in addition to the provisions announced in October 2017

B+I
Why provisioning has increased

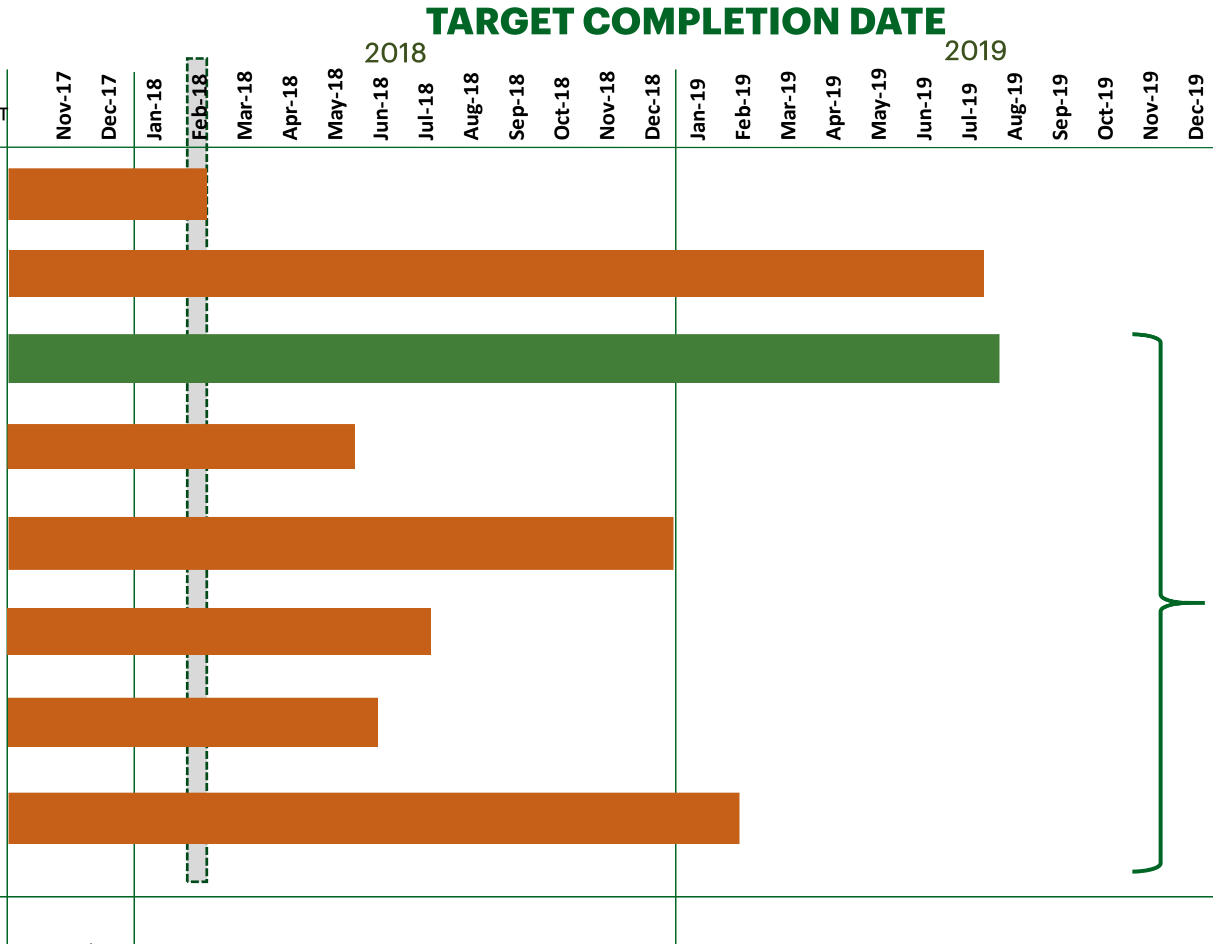
Projects have continued to progress:

- Better visibility and certainty of cost forecasts
- Significantly further advanced on procurement of important trade packages
- Incorporated material price increases across trade finishing costs

Provisioning more pragmatic:

- Allowing for appropriate time and cost contingencies beyond the target programs
- Less aggressive trade cost forecasts
- Productivity forecasts based on rates we are achieving
- More conservative client claim and variation outcomes

B+I
Detail on key projects



	% COSTS COMPLETE	APPROX CONTRACT VALUE	MARGIN ESTIMATE $m OCT 17	MARGIN ESTIMATE $m FEB 18	MARGIN ESTIMATE $m FY18 IMPACT
Justice Precinct	99%	$200 - 300m	-142	-156	-14
NZICC	22%	$400 - 500m	-156	-410	-254
Commercial Bay	39%	$400 - 500m			
Auckland East Prison	85%	$200 - 300m			
Auckland Airport	68%	$100 - 200m	-26	-224	-186**
Christchurch Airport Hotel	66%	$50 - 100m			
Wellington Airport Carpark	86%	$50 - 100m			
Other key projects	82%	$500 - 600m			
	59%	$2.3bn	-320	-790	-454*

* Outside of these key projects there is a $13m reduction in forecasted EBIT for profitable projects

**Included in Feb 18 estimate is some projects moving from profit to loss

B+I Key Project Profile
New Zealand International Convention Centre (NZICC)

Key Data	At 31 December 2017
Client:	Sky City Entertainment
Targeted completion date:	July 2019
Cost to complete:	$887m
Expected profit/loss:	$(410)m[1]
Cost completion:	23%
Value of trades to let:	$181m

Project update:

- Project team settling and procurement well advanced

Approach to provisioning:

- Incorporated large increases in trade finishing costs
- While we continue to target agreed completion dates, we have allowed significant buffer
- Conservative view on contract claims

1. *As at 14 February 2018*

B+I
The future

Immediate

- B+I teams will focus solely on completing existing projects
- We will not be bidding for any further vertical construction work in NZ, allowing key resources to be redeployed to project completion
- Appropriate actions to retain and motivate key staff
- Absolute focus on delivering our existing projects within existing provisions and to the highest quality for our customers

Longer-term

- Other Construction businesses in favourable markets experiencing strong growth
- B+I market sector continues to be characterised by high contract risk and low margins – we will no longer work under these conditions
- As B+I projects are completed, key resources will be redeployed to other Construction Division businesses, to support their further growth

➢ This transition will result in restructuring provisions of approximately $20 million

B+I
Summary of forecasts

New provisioning and other costs have increased the B+I EBIT loss for FY18

- Now expecting B+I EBIT in FY18 to be $(660)m

	Project losses	Overhead and other costs	EBIT
25 Oct 2017 ASM	$(125)m	$(35)m	$(160)m
14 Feb 2018 (incremental)	$(467)m	$(33)m	$(500)m
Total FY18	$(592)m	$(68)m	$(660)m

B+I
Confidence in reforecasting

What has informed reforecasting since October:

- Comprehensive and externally supported review process, building on October reviews
- New project teams introduced across multiple projects last year on the job for longer and stabilising
- While agreed project completions remain our target, we have allowed for significant cost escalation
- Projects further advanced and procured
- Refocussing of B+I will free up resources to support completion

Fletcher Building
Guidance and dividend

B+I

- Following today's update FY18 EBIT for B+I is expected to be $(660)m

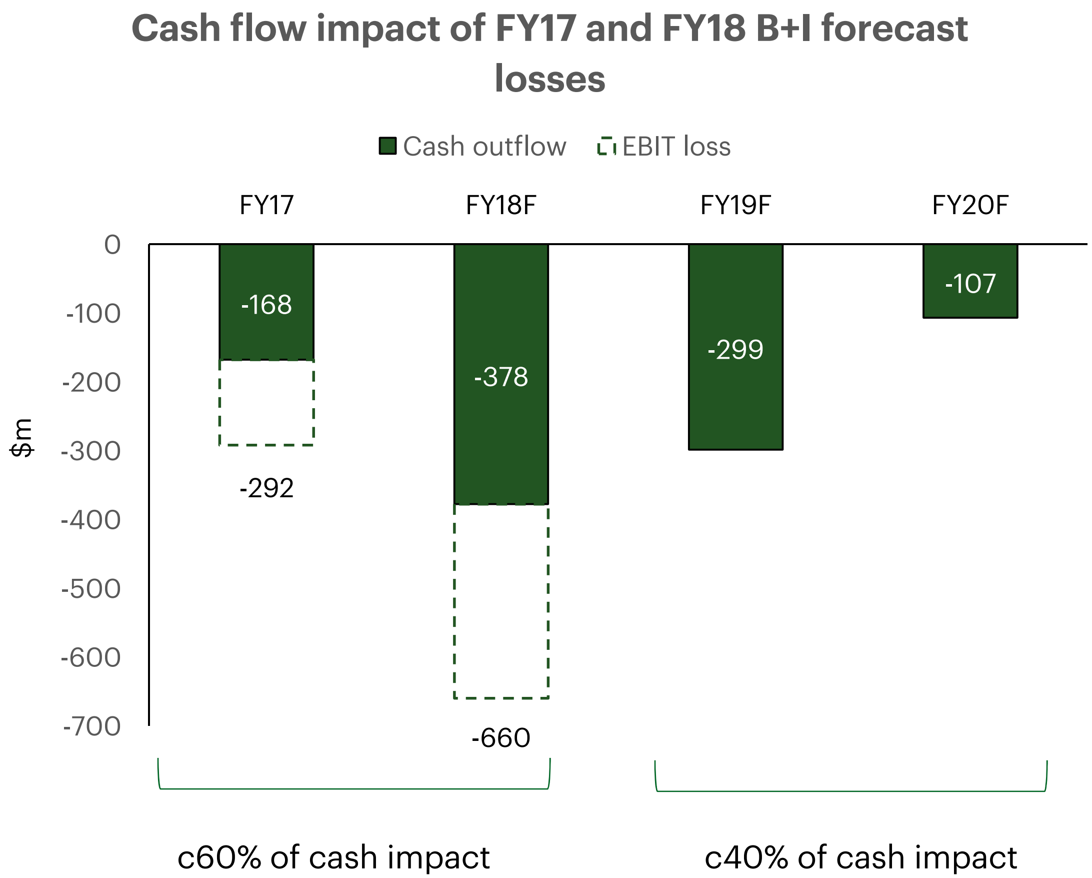
Fletcher Building Group excluding B+I

- Continues to expect FY18 EBIT to be in the range of $680m – $720m

Dividend

- In line with dividend policy no interim dividend will be declared for HY18

Fletcher Building
Cash impact of B+I losses



Fletcher Building
Cash flows remain strong across group

- Strong and improving trading cash flows in remainder of Group ex B+I
  - FY18 EBIT guidance of $680m - $720m reconfirmed
  - Improvement in working capital movements

Trading Cashflows[1] ($m)	FY17	FY18F
B+I	$(168)m	$(378)m
Group Excl. B+I	$635m	Approximately $700m
Group	$467m	Approximately $320m

1. Trading cashflow = unlevered cashflow +movements in working capital

Fletcher Building
Debt profile as at 31 January 2018 (prior to covenant breaches)

Debt update:

- Headroom at 31 January 2018 of $1bn[1]
- Net debt forecast to increase by c.$250m in calendar 2018
- At this net debt level remaining headroom is c$750m

Tranche	Facilities $m	Drawn at 31 Jan 18 $m
Banking syndicate	1,270	435
USPP[2]	1,136	1,136
Capital Notes	622	622
Other[3]	103	103
Total	3,131	2,296
Cash on hand		173
Net Debt		2,123

1. Undrawn facilities of $835m plus cash on hand of $173m
2. Excludes currency gains of $26m
3. Working capital facilities in India and Europe, Finance Lease, Trade Bills and Fiji

Fletcher Building
Banking covenants breach

Increase in non-cash B+I forecast losses has led to a breach of key banking covenants

- Breach does not trigger automatic repayment default of loan agreements
- If the non-cash portion of the losses are excluded, then the Company would have remained within its covenants

Covenant	Reported at 31-Dec-17 (after provisioning)	At 31-Dec-17 excl non-cash B+I provisions
Senior Net Debt/EBITDA	Breach	Within covenants
EBIT/Senior Interest	Breach	Within covenants
EBIT/Total Interest	Breach	Within covenants
Guaranteeing Group EBITDA/Total EBITDA	Breach	Within covenants

Fletcher Building
Update on discussions with lenders

Commercial Banking Syndicate

- Waiver of breach received
- Commitment to provide continued access to funding facilities
- New covenant terms targeted to be agreed by end of March 2018

USPP

- Discussions underway with USPP holders
- New covenant terms targeted to be agreed by end of March 2018

Fletcher Building
Capital management implications

- Additional forecast losses announced today are non-cash
- Cash flows from B+I losses crystallise over the next three years – not all immediate
- Group cash flows remain strong and predictable
- No interim dividend
- Waiver of current breach achieved with commercial banking syndicate
- Targeting all funding lines renegotiated by end of March 2018

➢ Fletcher Building remains well capitalised and solvent with strong underlying cashflows

Fletcher Building
Next steps and HY18 results

1. Half Year Results
2. Divisional performance
3. Market outlook
4. More detail on strategic review through to June

Disclaimer

This presentation dated 14 February 2018 provides additional comment on the media release and documents filed with the NZX 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.