



## Fletcher Building making investments in the wood sector

**Auckland, 16 December 2022:** Fletcher Building Limited (“Fletcher Building”) confirms two strategic investments in the wood sector. Wood products is an attractive sector in which Fletcher Building is currently underrepresented. The sector is supported by strong macro trends relating to modern building methods and contributes to New Zealand’s goal of a low-carbon circular economy.

As previously announced at its Investor Day in June 2022, Fletcher Building will proceed with building a new wood panels plant at its current Laminex site in Taupo with a capital cost of approximately \$275 million. The investment involves building a new wood panel production and processing line using innovative technology that is well suited to serve New Zealand market opportunities but is equally flexible to supply export markets. The new process will supersede the current particleboard production line by producing cost competitive and superior products that have diverse applications in furniture, joinery, and the broader construction sector. All appropriate consents for this project have been granted and initial civil works will commence in early 2023. The project is expected to take around 2.5 years to complete, with FY26 expected to be the first year of operations. After a ramp-up period, the investment is expected to generate mid-cycle EBIT of approximately \$40 million and return on funds employed (ROFE) at or above 15%.

In addition, Fletcher Building has agreed to acquire Waipapa Pine Limited and Renewable Wood Fuels Limited (together, “Waipapa”) for a consideration of approximately \$97 million (including land and buildings but excluding earn out). Waipapa produces a range of sawn timber products, including industrial and structural grades, and includes a renewable fuels business. It is geographically advantaged by being in Kerikeri (sawmill) and Whangarei (timber treatment plant), close to the supply of high-quality logs and servicing its highly valued customers from the Far North to Hamilton. Fletcher Building intends to continue to serve these customers and expand production capability to strengthen Waipapa’s ability to support the market.



The Waipapa business is well-run and is testament to the vendors' commitment to the business over the last ten years. Waipapa forecasts revenue of \$50 million and EBIT of \$14.5 million for the 12 months ended 31 December 2022. It is expected to generate mid-cycle EBIT earnings of over \$20 million and ROFE greater than 15% within two years of Fletcher Building ownership, after earnout-linked efficiency gains and additional capacity expansion plans are completed.

The acquisition will be funded from Fletcher Building's existing debt facilities and is incremental to the Company's previously announced capex investments. It is anticipated that the acquisition, which is conditional on Overseas Investment Office approval, will be completed in the final quarter of FY23.

Fletcher Building's Chief Executive Ross Taylor said: "Together, these investments represent our first major expansion steps in the wood products sector and nicely complement our already strong positions in Steel and Concrete. Both investments are based on mid-cycle activity levels and are targeting ROFEs at or above 15%. Wood products is a highly attractive sector with significant growth opportunities giving both these investments a favourable long-term position. In addition, increased utilisation of wood resources fits within New Zealand's broader sustainability goals through carbon storage and contributing to our international climate change targets."

**#Ends**

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**About Waipapa Pine Limited and Renewable Wood Fuels Limited (Waipapa)**

Waipapa produces a range of sawn timber products including industrial and structural grades with a sawmill located in Kerikeri and a timber treatment plant in Whangarei. The well-established and complete structural sawmill is set up to optimise structural timber yield and has associated operational equipment to cut large diameter logs, kiln dry, plane and treat timber for structural and outdoor applications. It also includes a renewable wood fuels business which supports Fletcher Building's commitment to sustainability and carbon reduction and provides further opportunity for growth. Waipapa currently processes approx. 84,000m<sup>3</sup> of timber and structural timber. The cost-effective plant is located in close proximity to high quality logs within easy reach to service its highly-valued customer base spanning from the far north to Hamilton. The business employs approximately 90 people across its two sites in Kerikeri and Whangarei.

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