NEWS RELEASE

Fletcher Building announces 2017 annual results

Auckland, August 16 2017: Fletcher Building today announced underlying operating earnings of $525 million for the 12 months ended 30 June 2017, down 23 per cent from FY16.

Revenue for the year was $9.4 billion, up four per cent year-on-year. Net earnings before significant items were $321 million, down 23 per cent from FY16.

Performance was impacted by the Building + Interiors (B+I) business unit within the Construction division, which reported a $292 million loss during the year. The loss resulted from a combination of complex design issues, inadequate project management and stretched resourcing in a capacity constrained New Zealand construction market – which negatively impacted two major projects in Christchurch and Auckland and a number of smaller projects across the B+I portfolio.

The challenges in B+I masked a robust performance across the remaining portfolio, with Building Products (+6%)[1], International (+27%), Distribution (+10%) and Residential and Land Development (+55%) all posting strong earnings growth.

Interim CEO Francisco Irazusta said while the result was disappointing, he was confident the B+I business will improve with new leadership and governance now embedded.

"Despite the B+I result being disappointing our teams are working hard to complete our projects to the highest quality. Following a complete review of the B+I portfolio a significant amount of change has already been implemented – including improved project governance and processes for current and future projects and enhanced bidding rigour.

"We now have new management in place and highly capable leaders in Construction Chief Executive Michele Kernahan and B+I General Manager David Kennedy, who brings with him over 30 years' construction experience. Under their leadership B+I will be a more focussed business, targeting key sectors and clients and incorporating appropriate risk premiums into margins.

"It is encouraging to see the broader business performing so well during the year and continuing to benefit from supportive economic conditions in key markets. Stripping out the impact of B+I the Group's earnings increased by around 20 per cent and our New Zealand portfolio grew earnings by around 30 per cent in FY17."

Fletcher Building also confirmed an impairment charge of $222 million for its Tradelink and Iplex Australia businesses, representing approximately 3% of the group's total assets as at 30 June 2017. The impairment will be reported below the EBIT line and have no impact on cash earnings.

"In taking these impairments we are addressing the gap between the balance sheet carrying values of Tradelink and Iplex Australia and their near to medium term profitability in a tightening Australian economy.

"Despite these charges both businesses are progressing well against their turnaround strategies. Tradelink has opened 20 new stores in FY17, improved its customer proposition and taken market share, while Iplex Australia has returned to profitability for the first time since 2014."

[1] Excluding divested businesses

Commenting on the outlook for FY18 Mr Irazusta said Fletcher Building will continue to benefit from strong macro-economic drivers.

"In Auckland we need over 13,000 new houses built a year to meet population demand, however in the last year only around 10,000 were consented, which we believe translates to around 8,000 being built. This means there is a shortfall of 5,000 houses in the last year alone – so we expect elevated levels of activity to continue, despite some cooling in the Auckland market in the near term. Infrastructure investment will also remain robust, to serve growing communities and improve productivity.

"In Australia we believe the declines in Western Australia are stabilising and there is a major focus on infrastructure investment across the Eastern seaboard.

"I am privileged to be leading the business during this interim phase. We are now in our second month of FY18 and I am firmly focused on supporting the business to deliver a strong first half result."

A final dividend of 19 cents per share will be paid on 11 October 2017, with full New Zealand tax credits attached, bringing the total dividend for the year to 39 cents per share. The dividend reinvestment plan will be operative for this dividend payment.

#Ends

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