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# INVESTOR PRESENTATION

May 2012

## 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 February 2012 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.**



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# COMPANY & MARKET OVERVIEW

*Christchurch, August 2011*



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## Fletcher Building at a glance

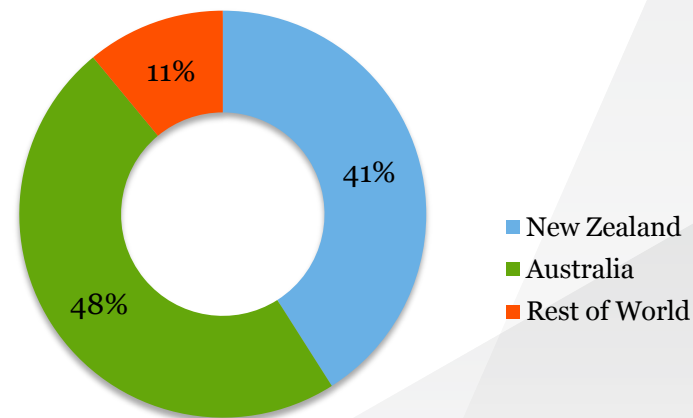
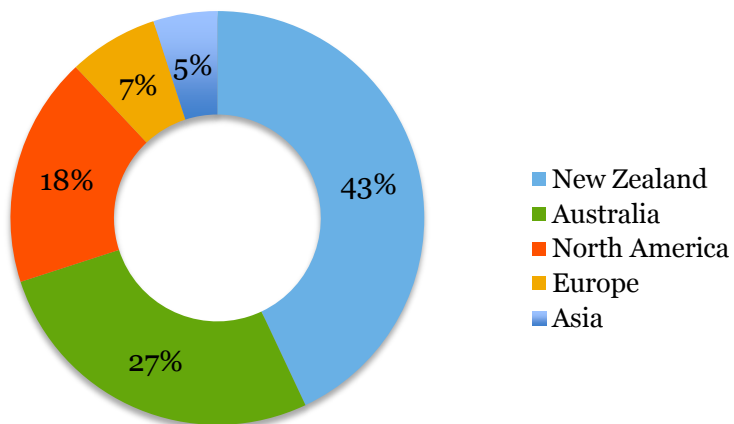
**Revenue – 6 months to 31 December:** NZ\$4.5 billion

**Market Capitalisation:** NZ\$4.3 billion

**Employees:** 20,000

**Shareholders:** (as at 31 December 2011)

**Revenues:** (as at 31 December 2011)



## Fletcher Building – key listing information

Listed on the New Zealand and Australian stock exchanges

### **New Zealand**

Second largest listed company by market capitalisation on the NZX

### **Australia**

Ranked #59 on the ASX

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

### **US**

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

Citi act as depository bank

Ticker: FCREY CUSIP: 339305302



# Market leading businesses



**Building  
Products**



**Concrete**



**Construction**



**Crane**



**Distribution**



**Laminates  
& Panels**



**Steel**

**Plasterboard  
Insulation  
Roof Tiles  
Single Businesses:**

- Aluminium
- Sinkware

- Cement
- Readymix
- Aggregates
- Concrete Products
- Concrete Pipes
- Quarries

**Construction**

- General Construction
- Infrastructure Projects
- Residential house development

**Pipelines –  
Manufacture &  
Distribution**

**Trade  
Distribution  
Australia and NZ**

**Copper Tube –  
Manufacture &  
Distribution**

**Building  
Materials  
Distribution**

- 59 PlaceMakers stores

**The Laminex  
Group**

- MDF
- Particleboard
- LPM
- HPL

**Formica**

- HPL

**Coated Steel**

**Long Steel:**

- Reinforcing bar, mesh and wire
- Scrap

**Distribution**



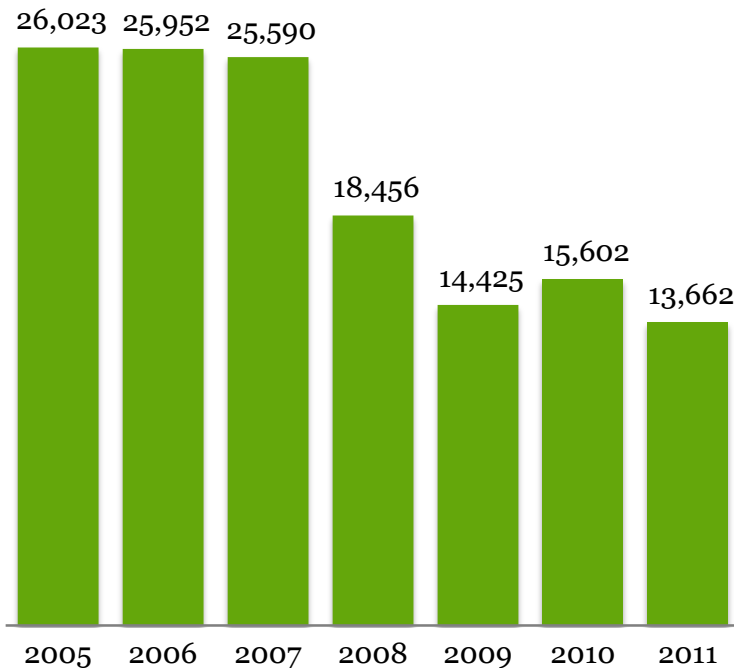
## Record lows for new residential consents in New Zealand, and significant residential slowdown in Australia

Building Consents	Dec 2011 12 months	Dec 2010 12 months	Dec 2009 12 months	11/10 %Mvmt
<b>New Zealand</b>				
Residential Consents	13,662	15,602	14,425	-12
Non Res WPIP (\$m)	4,521	4,817	4,895	-6
Infrastructure WPIP (\$m)	7,744	6,664	6,308	+16
<b>Australia</b>				
	<i>Source: Statistics NZ, Infometrics</i>			
Residential Consents	149,076	176,564	146,492	-16
Non Res WPIP (A\$Bn)	32.7	37.7	32.0	-13
Infrastructure WPIP (A\$Bn)	101	77.6	77.2	+30
<b>US</b>				
	<i>Source: ABS, BIS Shrapnel</i>			
Residential Construction Starts	609,000	600,000	570,000	+2
Commercial & Industrial (US\$Bn)	60.4	51.1	56.9	+18
Institutional (US\$Bn)	97.1	110.8	112.2	-12

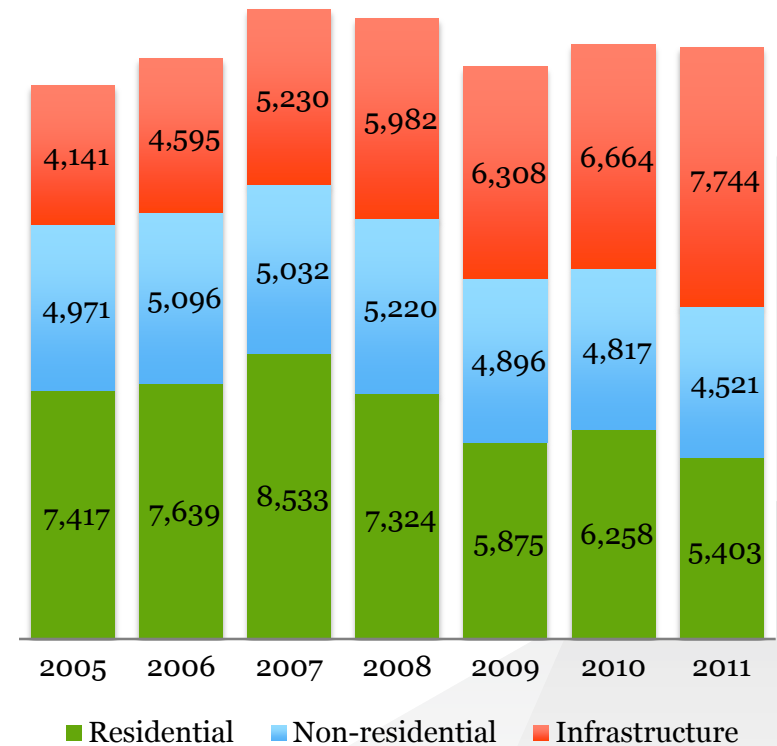


# New Zealand construction activity levels 2005-2011

Total Residential Consents  
Years to December



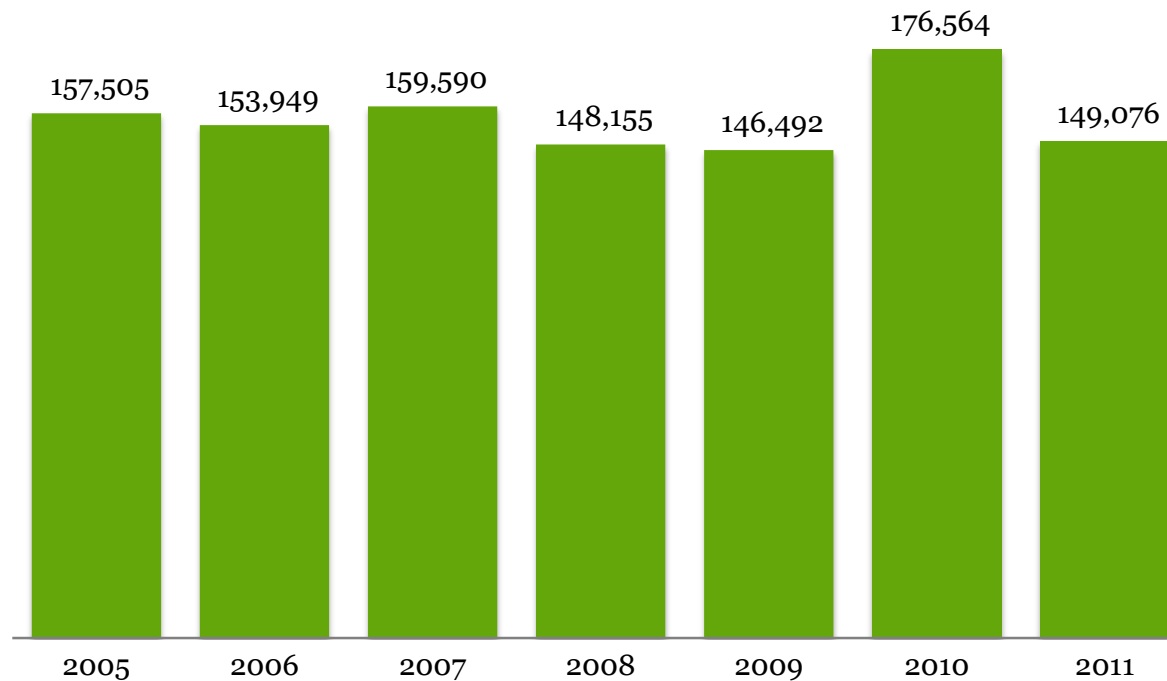
Total Construction NZ – NZ\$m  
Years to December





# Australian construction activity levels 2005-2011

Residential Consents Australia  
Years to December



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# STRATEGY

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*Formica for Tinderbox, UK*



# Strategy

**Improved earnings reliability through geographic and end-market diversification**

**Decentralised business model**

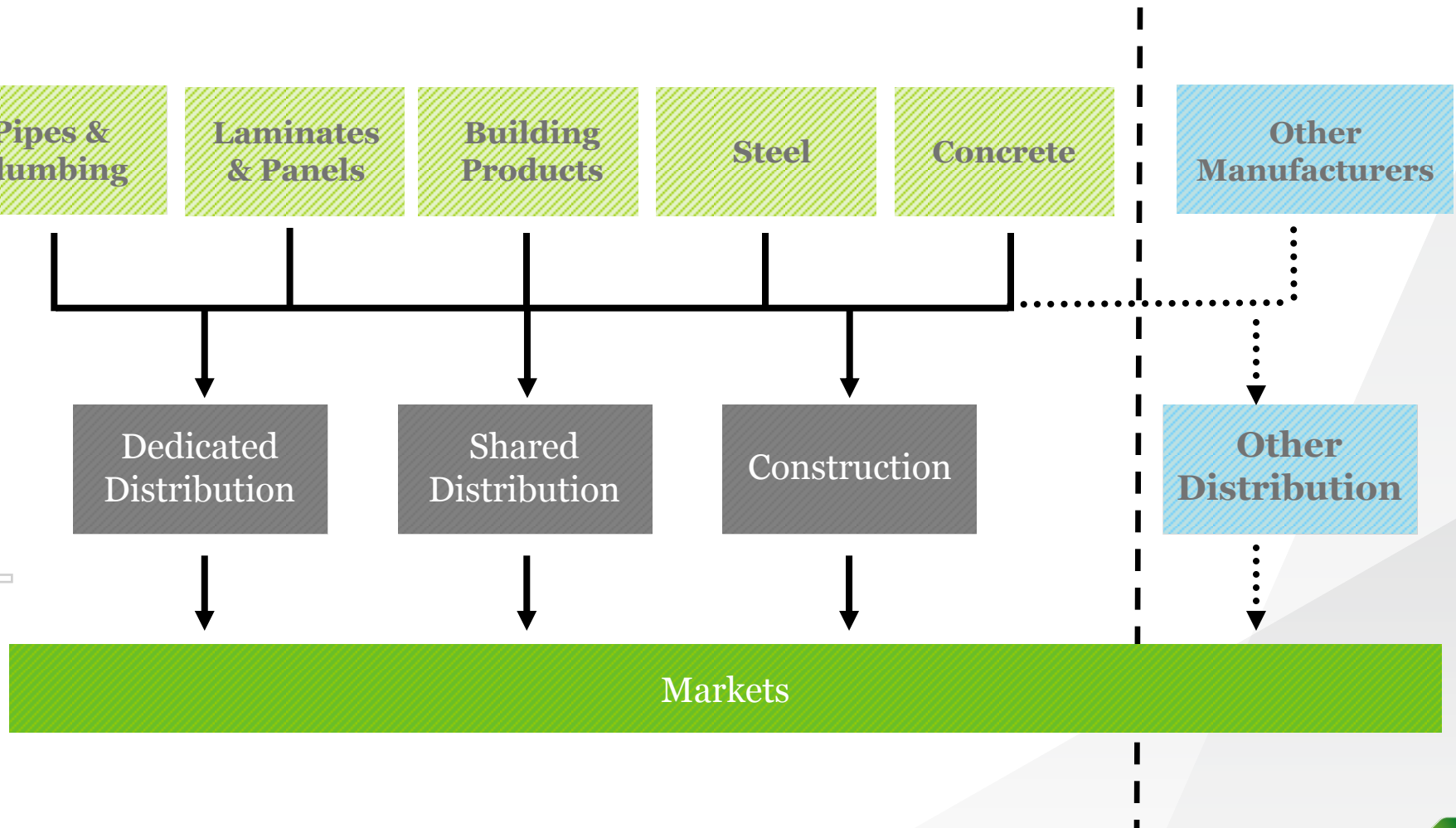
**Portfolio approach that creates value through application of proven operating model**

**Target attractive industry positions in Australia and NZ**

**Further opportunities to invest in Australia and NZ will be pursued, along with growth in Formica Asia**



# Fletcher Building has a vertically integrated value chain



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# HALF YEAR 2012 FINANCIAL RESULTS

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*The Cloud, Auckland waterfront*





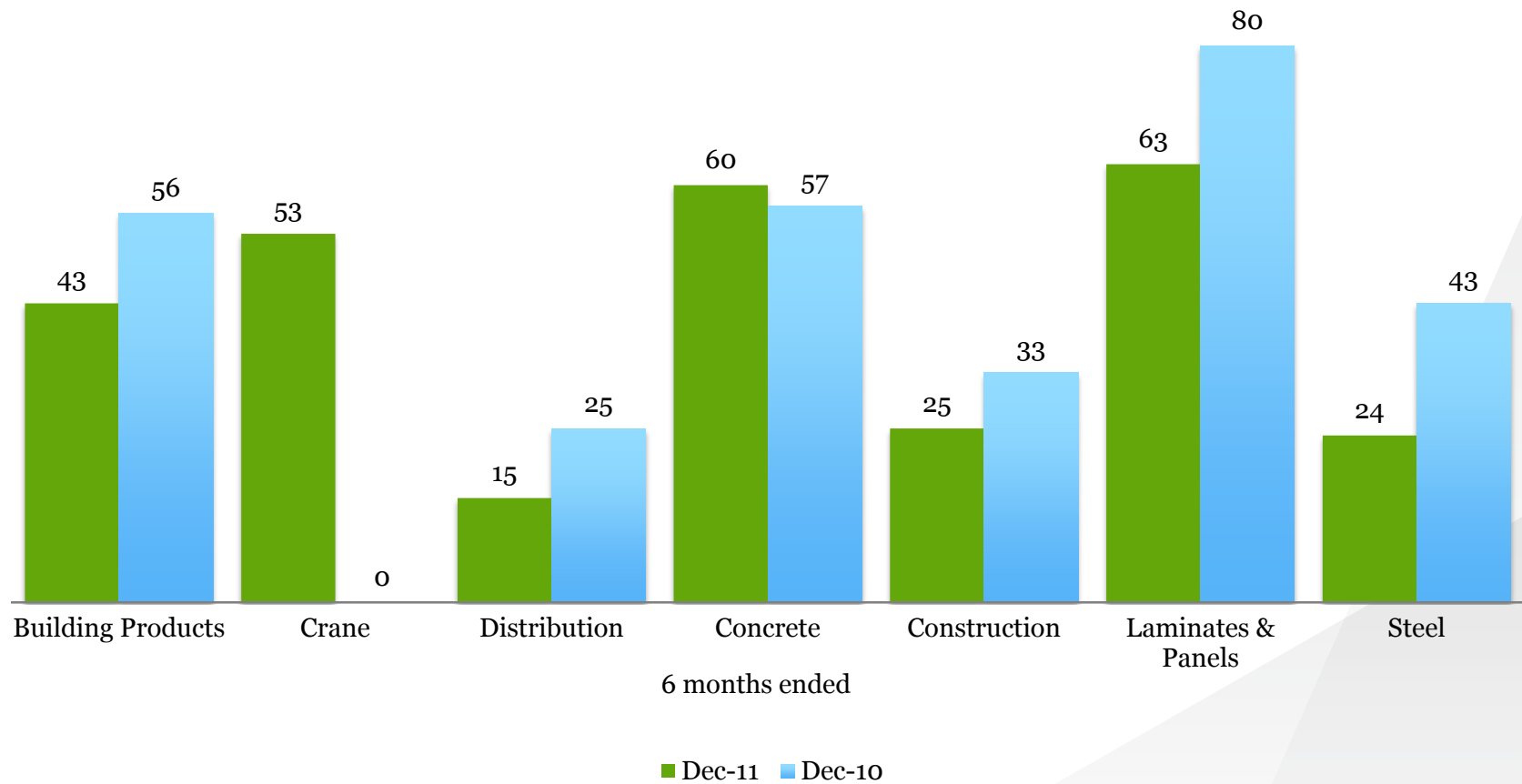
## Weak residential construction markets in New Zealand and Australia impacted earnings

NZ\$m	Dec 2011 6 months	Dec 2010 6 months	% Change
Sales	4,509	3,468	+30
EBIT	256	285	-10
EBITDA before unusual items	393	381	+3
EBIT before unusual items	277	285	-3
Net earnings before unusual items	159	166	-4
Unusual items after tax	15	0	
Net earnings	144	166	-13
EPS before unusual items - cps	23.4	27.3	-14
Dividend - cps	17.0	16.0	+6



# Weaker market conditions impacted all divisions

**EBIT before unusualls NZ\$million<sup>1</sup>**



1. Earnings before interest, tax and unusual items



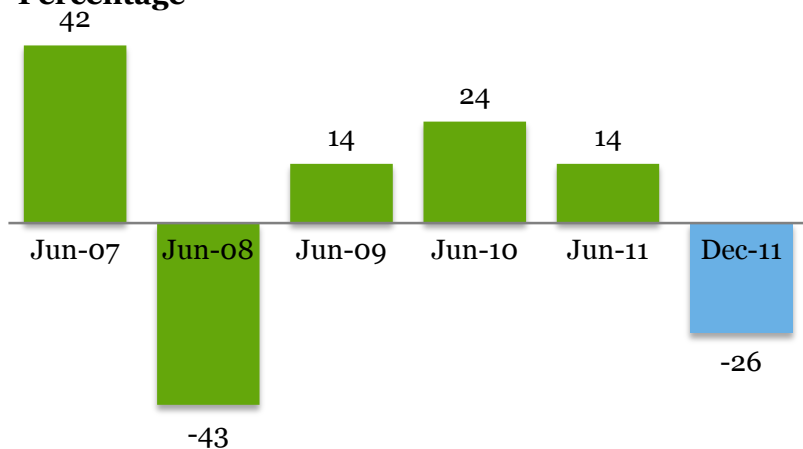
## Cashflow from operations impacted by working capital movements, higher funding costs and cash tax payments

	Dec 2011 6 months	Dec 2010 6 months	% Change
<b>EBITDA</b>	<b>372</b>	<b>381</b>	<b>-2</b>
Funding costs	(73)	(51)	+43
Cash tax paid	(51)	(33)	+55
Other + non cash	(16)	(17)	-6
<b>Working capital movements:</b>			
- Debtors	127	71	+79
- Creditors	(174)	(114)	+53
- Stock	(41)	(27)	+52
- Other	(15)	(8)	+88
	(103)	(78)	+32
<b>Cashflow from operations</b>	<b>129</b>	<b>202</b>	<b>-36</b>

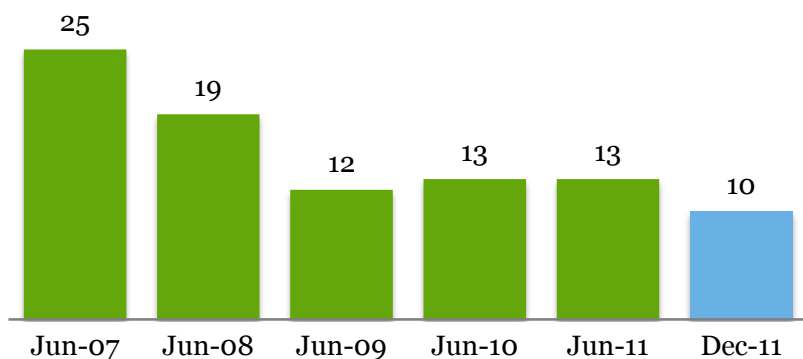


# Key ratios

**Total Shareholder Return (TSR)  
Percentage**



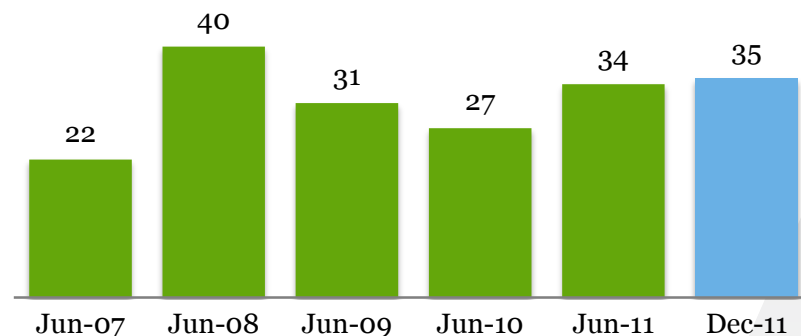
**Return on Average Funds  
Percentage<sup>2</sup>**



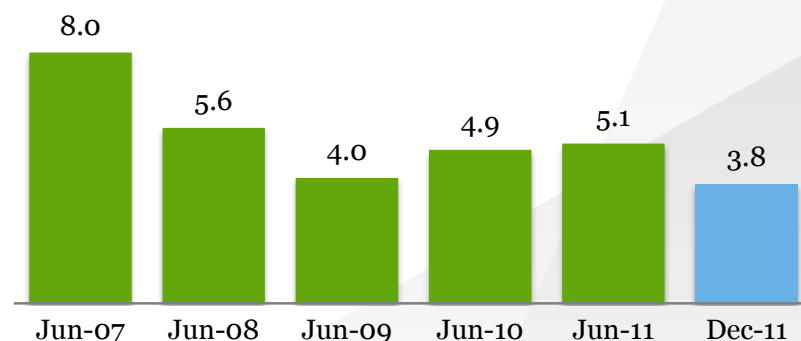
1. Net earnings / average equity

2. Earnings before interest, tax, and unusual items / average funds

**Debt/Debt Plus Equity  
Percentage**



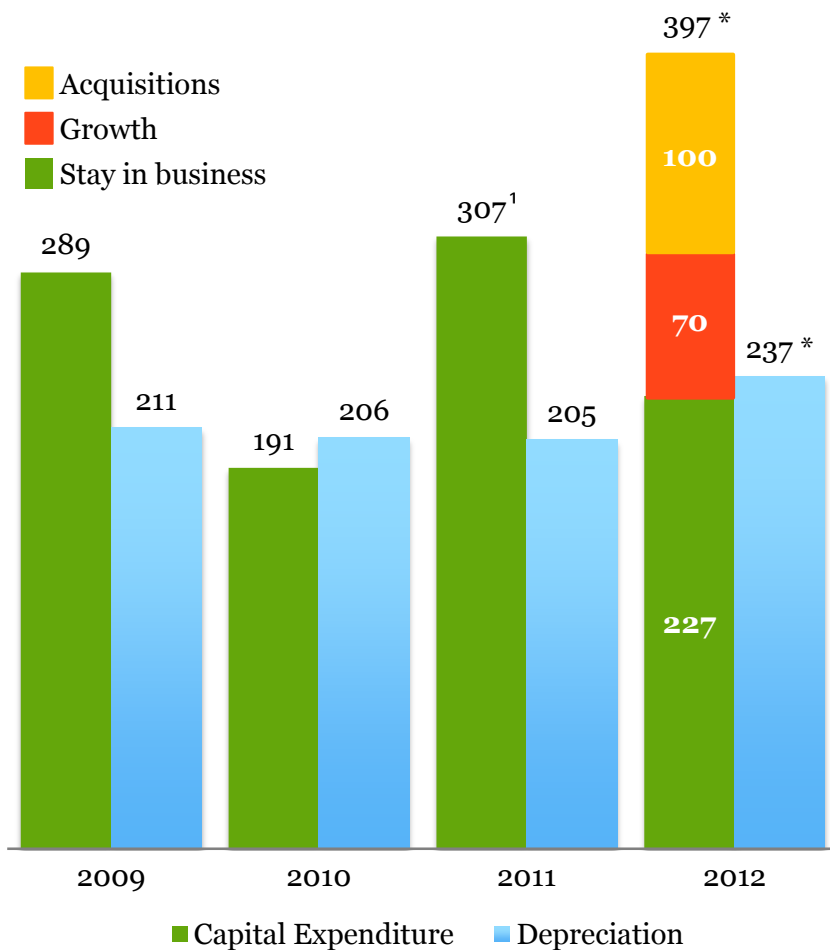
**Gross Interest Cover<sup>3</sup>  
Times**



3. Earnings before interest, tax and unusual items / total interest paid



# Full year forecast capital expenditure includes \$100m in acquisitions



*\* Forecast as at February 2012*

1. Excludes acquisition of shares in Crane Group Ltd

	Dec 11 6 mths	Dec 10 6 mths	% Δ	FY12 Forecast
Stay-in-business	101	74	+36	227
Growth <sup>1</sup>	22	24	-8	70
Acquisitions <sup>2</sup>	31	52	-40	100
<b>Total</b>	<b>154</b>	<b>150</b>	<b>+3</b>	<b>397</b>
<b>Depreciation</b>	<b>116</b>	<b>96</b>	<b>+21</b>	<b>239</b>

1. Forecast includes investment in Homapal & new Formica plant in China

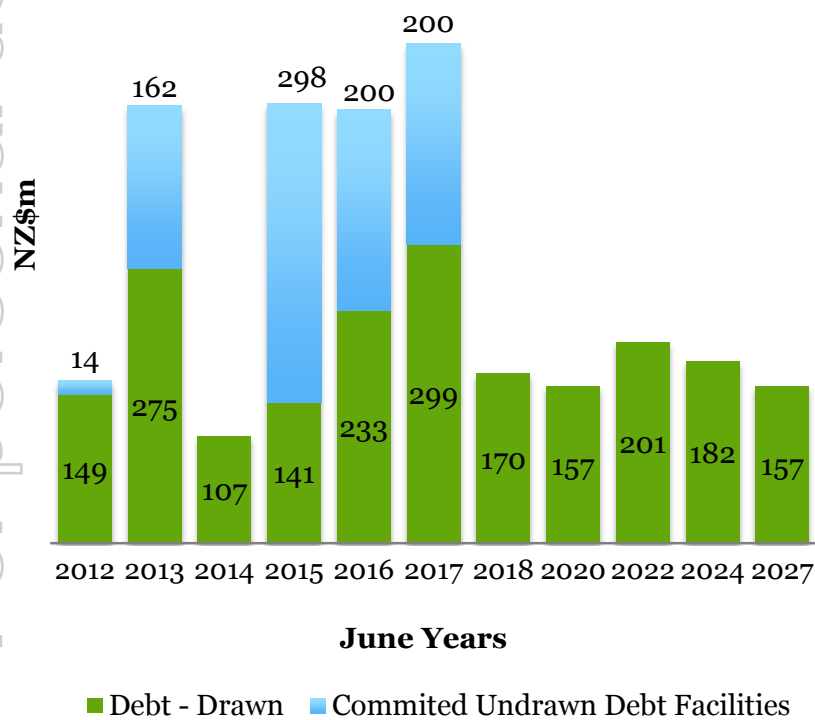
2. Excludes Crane in 1H11





## Debt maturity profile

**Funding and Maturity Profile  
February 2012**



US\$300m private placement to US investors completed post 31 December 2011.

Key credit statistics following US private placement:

- Undrawn credit lines of \$583 million and \$182 million cash on hand
- Average maturity of debt is 5 years
- Average interest rate on debt is 6.7%.
- 67% of borrowings are at fixed rates.

Additional A\$120m 15 year private placement to Japanese investors completed February 2012.



## Canterbury update

### Estimates of earthquake damage (October 2011)

Sector	NZ\$B
Residential	13.0
Commercial	4.0
Infrastructure	3.0
	<hr/> 20.0

Source: NZ Treasury October 2011

### Repair Timeframes

Sector	Years
Residential – new build	5
Residential – repair	4
Commercial	15
Infrastructure	5

Source: Canterbury Development Corp.

### Fletcher EQR:

Project Management of 100,000 residential repairs for the Earthquake Commission

Progress as at 10 April 2012:

- 40,000 urgent repairs completed
- 12,500 full scope repairs completed
- 1,000+ firms contracted, 12,600 contractors inducted
- Currently paying \$700M (annualised)

Targets for repairs to 100,000 homes agreed with Earthquake Commission:

- 80% of homes in managed repair programme completed by 2014
- Houses with \$50,000+ of damage: aim to have repairs completed by mid-2013



## Canterbury update

### **Residential:**

11,000 new homes to be built including 7,000 “Red Zone” properties

16,500 re-instatements

### **Commercial:**

900 demolitions completed, with a further 250 buildings to come down

250 buildings awaiting engineering assessments

12 new consents for low rise commercial and industrial buildings in CBD and city fringe

### **Infrastructure:**

Alliance of 5 construction companies (‘SCIRT’)

Scope includes roads, potable and waste water pipes, footpaths, retaining walls, bridges

Total work c. \$2.2B



# Christchurch before the earthquakes





# Christchurch City October 2011



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# New Zealand commercial and infrastructure construction outlook

## Construction backlog of \$1.3 billion

Waterview motorway/tunnel project \$398m: construction activity to get underway in second half of calendar 2012

Wiri prison PPP – approx \$300m construction value (preferred bidder status: not included in backlog figure)

## Margins are tight in subdued commercial building activity

## Preferred contractor status on two contracts totalling \$727m

Delayed starts, no impact until FY14 at earliest

## Rebuilding Canterbury a key priority for government infrastructure expenditure



## Strategic issues

### Laminex

- Fall in domestic demand and high currency have impacted earnings performance in Australia and NZ.
- \$21m in pre-tax unusuals restructuring costs incurred in HY 2012.
- Further review underway; goal is to achieve step change in cost base:
  - Review encompasses go-to-market model and profitability of ancillary activities and products.
- \$40m to \$50m in additional restructuring costs likely to be incurred in FY12.

### Insulation

- Strategic review of Australian insulation business being undertaken.
- Australian market suffering from excess inventory, increased competition, reduced demand, as a result of sudden termination of government home insulation subsidy scheme.
- High Australian dollar has undermined domestic manufacture of insulation material.
- Outcome of strategic review may result in additional costs to improve business performance



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Half Year Results

# OUTLOOK



## Outlook FY2012

### New Zealand

- Conditions expected to remain challenging
- Modest uplift in housing consents in first half should lift activity in second half, but from low base
- Infrastructure spending lower due to timing of key projects
- Canterbury rebuild – gradual lift in activity forecast over calendar 2012, following set back of December 23<sup>rd</sup> earthquake.

### Australia

- Downturn in residential and weak commercial construction activity likely to prevail in second half
- Infrastructure sector expected to remain strong

**Asia:** Continued volume growth expected

**North America:** slight improvement in conditions

**Europe:** depressed conditions will continue to impact volumes



## Financial outlook FY2012

### **Based on:**

Current assessment of market conditions

Unaudited half year results

**Net earnings before unusu-als for the 2012 financial year are expected to be in the range of \$310 million to \$340 million**

**Performance will depend on macro-economic conditions and construction activity levels**

**Further restructuring charges of \$40 to \$50 million likely to be incurred in Laminex and will be reported as unusual item.**





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# APPENDIX

*Crane Copper Tube, Adelaide*



# Building Products

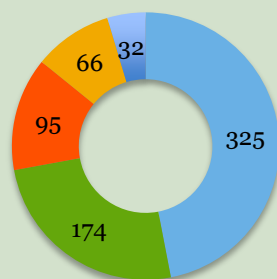


## Division Overview

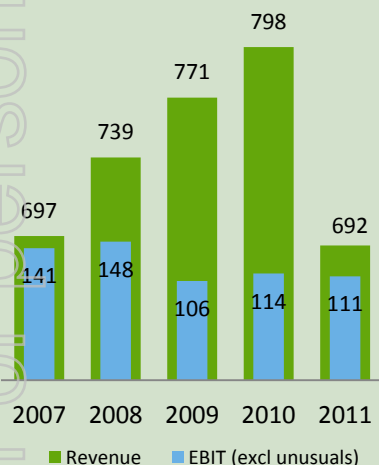
The Building Products division manufactures a broad range of building products. The divisions' core plasterboard, insulation and metal roof tile businesses have market leading positions and respected brands.

## Summary Financials (NZ\$M)

Revenue source FY11



■ Insulation ■ Roof Tiles  
■ Plasterboard ■ Aluminium  
■ Sinkware



## Business Description

### Insulation

Fletcher Insulation in Australia manufactures a wide range of insulation and acoustic products. Tasman Insulation is New Zealand's only domestic manufacturer of glasswool insulation.

### Plasterboard

Winstone Wallboards is New Zealand's sole manufacturer and leading supplier of plasterboard.

### Roof Tiles

Global manufacturer of metal roof tiles with plants in New Zealand, Malaysia, Hungary, and the USA.

### Aluminium

Designs and manufactures aluminium windows and door systems in New Zealand.

### Sinkware

Australia's only manufacturer of sinkware and accessories.

## Key Brands



## Building Products result

NZ\$m	Dec 11 6 mths	Dec 10 6 mths	% Δ
Sales	355	371	-4
EBITDA	56	69	-19
EBIT	43	56	-23
Funds Employed	578	674	-14
EBITDA/sales %	15.8	18.6	
EBIT/sales %	12.1	15.1	
ROFE %	14.9	16.6	

**Plasterboard** earnings lower due to weaker NZ residential market, but market share maintained.

**Insulation** earnings down 25% due to weaker demand in Australia and NZ and strong import competition.

- Strategic review of Insulation business
- Gain of \$4m from sale of Tasman Access Floors.

**Roof Tiles** volumes up in the America's, Africa and Asia, but down in New Zealand and Europe.



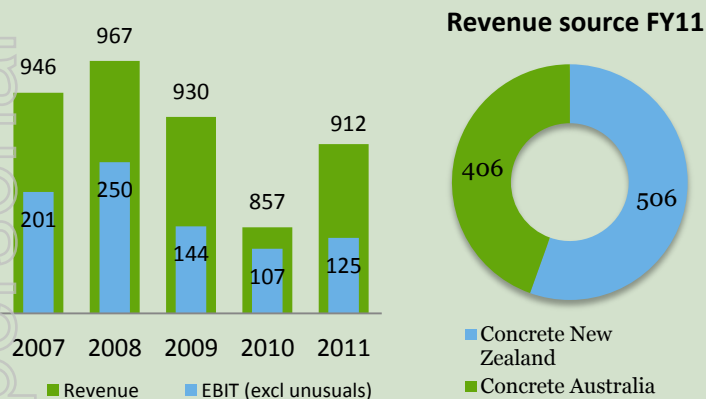
# Concrete



## Division Overview

The Concrete division consists of a vertically integrated concrete business in New Zealand and concrete products businesses in Australia.

## Summary Financials (NZ\$M)



## Key Brands



We Commit. We Do.



## Business Description

### Firth (NZ)

New Zealand's leading national concrete company with approximately 70 plants throughout the country.

### Golden Bay Cement (NZ)

NZ's largest cement manufacturer. Manufactures cement for readymix producers, concrete product manufacturers, building materials distributors, paving and construction contractors, and other major users.

### Humes Pipelines (NZ)

The largest pipeline systems supplier to New Zealand's infrastructure market. 8 manufacturing facilities & 20 specialist pipeline systems sales centres. The company installs specialist pipeline products & solutions into municipal, roading, subdivision, environmental & rural projects.

### Winstone Aggregates (NZ)

New Zealand's largest manufacturer and distributor of aggregates and sand to roading, ready mixed concrete and concrete product industries, and other building and civil engineering customers.

### Rocla Quarry (AUS)

Construction sands manufacturer supplying sands to the building & construction industries throughout Australia.

### Rocla Pipelines (AUS)

Leading Australian supplier of manufactured concrete infrastructure products to civil contractors, developers, local governments and other authorities.



## Concrete result

NZ\$m	Dec 11 6 mths	Dec 10 6 mths	% Δ
Sales	468	442	+6
EBITDA	91	87	+5
EBIT	60	57	+5
Funds Employed	1,052	1,026	+3
EBITDA/sales %	19.4	19.7	
EBIT/sales %	12.8	12.9	
ROFE %	11.4	11.1	

### NZ Concrete

- Softer demand for aggregates and masonry products.
- Readymix concrete and concrete pipe product volumes stable.
- Cement volumes lower in both domestic and export markets, negatively impacted margins.

### Australia Concrete

- Quarry revenues constant but earnings up on margin and product mix.
- Volumes in the pipelines business up 5%.





# Construction

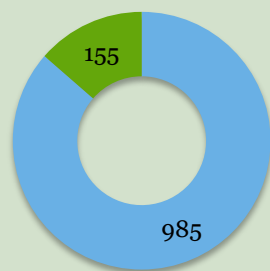
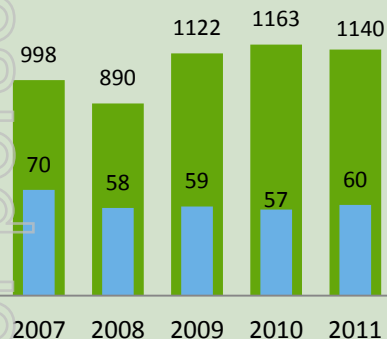


## Division Overview

The Construction division comprises one of New Zealand's largest general construction contractors Fletcher Construction, and Fletcher Residential, a residential home building business in New Zealand. Also in the division is Fletcher EQR, which is project managing residential earthquake repairs in Canterbury for the Earthquake Commission.

## Summary Financials (NZ\$M)

Revenue source FY11



■ Revenue ■ EBIT

■ Construction ■ Residential

## Business Description

### Building + Interiors

A leading general constructor of commercial, retail, health, hospitality, education and government buildings. Work undertaken includes both main structures and commercial fitouts.

### Earthquake Recovery

Earthquake Recovery is a project-specific division established to manage the \$3+ billion repair process of residential homes that the Earthquake Commission is responsible for following the Canterbury earthquakes.

### Infrastructure

A leading general contractor operating in transport, energy, water and wastewater, with specialist business units focused on foundations, general infrastructure projects, piles and pipeline rehabilitation.

### South Pacific

Undertakes a wide range of projects for local and foreign governments, aid agencies, religious organisations and commercial entities in the South Pacific

### Residential

Land subdivision and home builder.

## Key Brands





## Construction result

NZ\$m	Dec 11 6 mths	Dec 10 6 mths	% Δ
Sales	520	592	-12
EBITDA	30	38	-21
Total EBIT	25	33	-24
Funds Employed	145	116	+25
EBITDA/sales %	5.8	6.4	
EBIT/sales %	4.8	5.6	
ROFE %	34.5	56.9	

Several large projects completed during the period.

Tighter project margins due to subdued market.

Construction backlog of \$1.3bn (as at April 2012).

Residential earnings up 33% due to strong sales in Stonefields subdivision in Auckland.

Funds employed increased due to residential land purchases.



# Crane

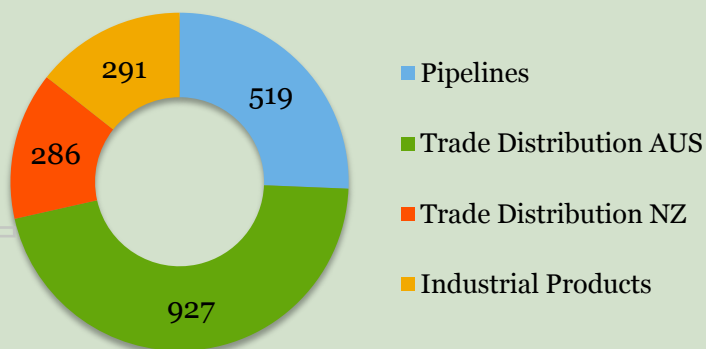


## Division Overview

Crane is the Australian leader in the manufacturing and distribution of plastic pipelines systems, plumbing and electrical supplies and non ferrous metal products in Australia and New Zealand. Previously a listed public company, the business was acquired by Fletcher Building in March 2011.

## Summary Financials (A\$M)

Revenue source FY11:



## Business Description

<b>Iplex</b>	A leading manufacturer and supplier of plastic pipeline systems in Australia & New Zealand
<b>Crane Distribution Australia</b>	Includes Tradelink, a leading Australian business in plumbing supplies and bathroom solutions, and Hudson Building Supplies with a strong footprint in timber and building materials and branches across NSW & South East Queensland
<b>Crane Distribution NZ</b>	Includes Corys Electrical, a leading New Zealand distributor of electrical products and services, and Mico, New Zealand's leading supplier of plumbing and bathroom products and solutions.
<b>Industrial Products</b>	Manufacturer of a wide range of plumbing tubes, and importer and distributor of stainless steel, aluminium and speciality metals, in Australia and New Zealand

## Key Brands



## Crane result

NZ\$m	Dec 11 6 mths	Dec 11 6 mths	Dec 10 <sup>1</sup> 6 mths	% Δ
	<u>EBIT</u>	<u>Revenue</u>		
Pipelines	28	395	342	+15
Distribution				
- Australia	21	588	612	-4
- New Zealand	(1)	187	193	-3
Industrial Products	2	165	208	-21
Unallocated/ Elimination	3	(106)	(95)	
Total:	53	1,229	1,261	-3
Funds Employed	1,334			
EBIT/Sales %	4.3			
ROFE %	8.6			

Increased pipeline sales to gas and mining offset weaker residential demand.

Distribution volumes down due to lower residential and commercial activity in Australia and New Zealand.

NZ distribution restructuring completed – 2 separate brands: Mico for plumbing, and Corys for electrical.

1. Dec 2010 figures are for comparative purposes only;  
Fletcher Building acquired Crane in March 2011



# Distribution



## Division Overview

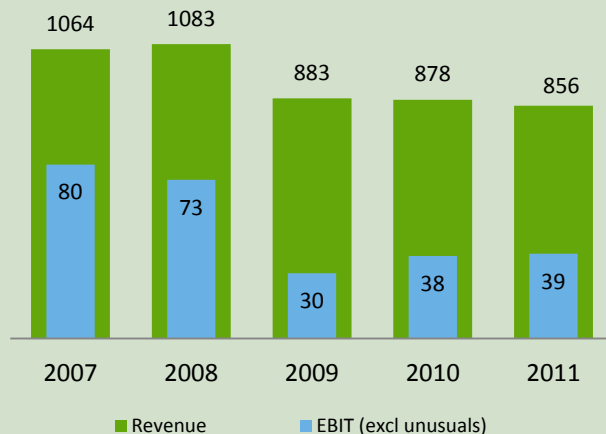
The Distribution division consists of the PlaceMakers business in New Zealand and supplies building materials to New Zealand's commercial and residential construction markets. PlaceMakers represents an important distribution network for Fletcher Building Group products.

## Business Description

### PlaceMakers

Is a nationwide supplier of building materials to New Zealand's commercial and residential markets. It operates 59 stores and 12 frame and truss manufacturing sites. The majority of stores are operated in a joint venture partnership with local owners/operators.

## Summary Financials (NZ\$M)



## Key Brands



## Distribution result

NZ\$m	Dec 11 6 mths	Dec 10 6 mths	% Δ
Sales	402	446	-10
EBITDA	19	29	-34
EBIT	15	25	-40
Funds Employed	137	138	-1
EBITDA/sales %	4.7	6.5	
EBIT/sales %	3.7	5.6	
ROFE %	21.9	36.2	

Sales decline of 10% due to subdued activity levels and continued disruption to Christchurch stores – consistent with consent data.

Gross margin maintained despite increased competition in DIY and retail segments.

Trade segment mixed with decline in new building activity.

Focus on cost control and distribution network footprint.





# Laminates & Panels



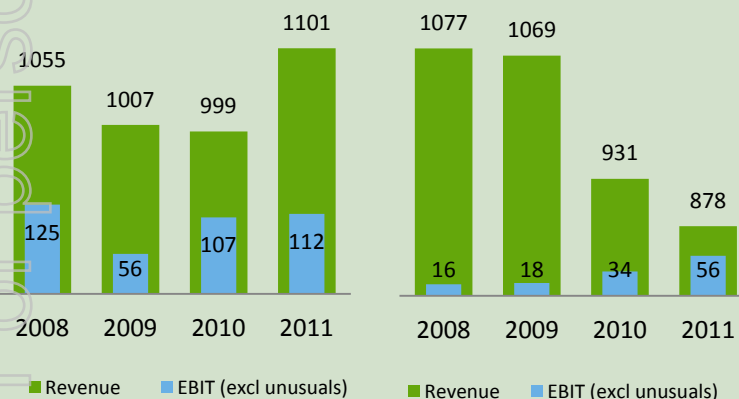
## Division Overview

The Laminates & Panels division comprises of the Australasian based woodpanels manufacturer and distributor Laminex, and a global high pressure laminates manufacturer, Formica.

## Summary Financials

### Laminex

### Formica



## Business Description

### The Laminex Group

Is the leading Australian and New Zealand manufacturer and distributor of decorative wood panels, particleboard, medium density fibreboard and other durable surfaces for use in residential and commercial applications. Laminex also distributes high pressure laminate and operates a high pressure laminate plant in Australia

### Formica

Formica manufactures and distributes high pressure decorative surface laminates with plants in North America, Europe and Asia. Formica's products are used in both residential and commercial applications. The Formica brand is well recognised and highly respected globally. In markets where it has manufacturing facilities it either leads the market or holds the second largest share.

## Key Brands



## Laminates & Panels result

NZ\$m	Dec 11 6 mths	Dec 10 6 mths	% Δ
Sales	939	1,001	-6
EBITDA <sup>1</sup>			
- Laminex <sup>1</sup>	56	77	-27
- Formica	41	36	+14
Total EBITDA <sup>1</sup>	97	113	-14
EBIT <sup>1</sup>	63	80	-21
Funds Employed	1,830	1,721	+6
EBITDA/sales %	10.3	11.3	
EBIT/sales %	6.7	8.0	
ROFE %	6.8	9.3	

1. Before unusual items

### Laminex

- Australian volumes of higher margin decorated board down due to fall in new housing starts and additions and alterations decline.
- NZ volumes down 12% year on year.
- \$21 m pre-tax unusual items incurred to date for restructuring costs

### Formica

- 9% volume growth in Asia but earnings impacted by flooding in Thailand.
- North America revenues up 3% in local currency terms.
- Conditions in Europe remained weak.



## Formica: continued improvement in earnings due to volume growth in Asia and cost reduction measures

EBIT NZ\$m	1H12	1H11	% Change
Asia	18	19	-5
North America	12	11	+9
Europe	2	1	+100
Corporate	(6)	(8)	-25
EBIT \$NZ	26	23	+13



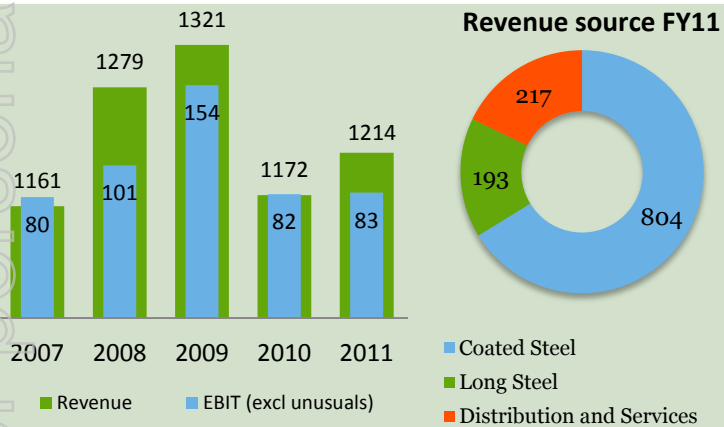
# Steel



## Division Overview

The Steel division operates a diversified portfolio of steel businesses across three business lines, primarily in Australia and New Zealand. Each business has a leading market position and widely recognised brands.

## Summary Financials (NZ\$M)



## Key Brands



## Business Description

### Coated Steel

- Stramit Building Products: a leading Australian manufacturer of steel building products, including roofing, walling, gutters and fascia's, purlins, flooring structural formwork and roller doors.
- CSP Coatings Systems provides metal coating systems to customers throughout New Zealand.
- Dimond: New Zealand's largest manufacturer of steel roofing, cladding, structural and rainwater products.
- Pacific Coilcoaters pioneered pre-painted metals products in New Zealand

### Long Steel

- Pacific Steel Group; New Zealand's only manufacturer of Wire Rod, Galvanised Wire and Reinforcing Bar and Coil products.
- Sims Pacific Metals NZ's largest metal recyclers, a 50/50 joint venture between Sims Metal Industries.

### Distribution

- Fletcher Easysteel, a major New Zealand processor and distributor of steel and related products.
- Fletcher Reinforcing: supplies reinforcing steel and mesh for concrete foundations and structures.



## Steel result

NZ\$m	Dec 11 6 Mths	Dec 10 6 Mths	% Δ
Sales	596	616	-3
EBITDA	36	54	-33
EBIT	24	43	-44
Funds Employed	578	568	+2
EBITDA/sales %	6.0	8.8	
EBIT/sales %	4.0	7.0	
ROFE %	8.3	15.1	

Long steel earnings impacted by reduced margins, as a result of global pricing pressures, particularly in Australia.

Rollforming and coated steel volumes fell 6% due to lower residential activity in NZ and Australia.

Steel distribution and services earnings down 60% due to soft volumes and margin pressure.

