# CONCRETE ANALYST'S PRESENTATION

31 May 2012

**Mark Malpass**

*Chief Executive of Concrete Division*

Fletcher Building

# 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.

# Agenda



**Division result**

**Business unit overviews**

**Key strategic issues**

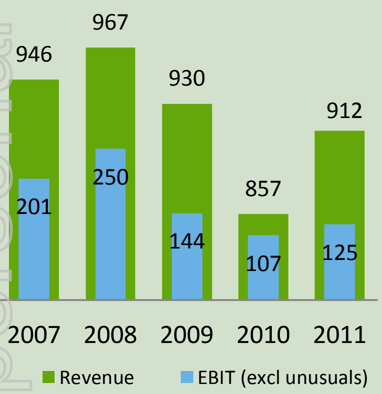
# Concrete Division



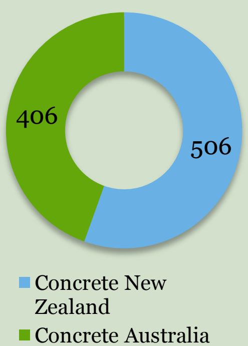
## Division Overview

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

## Summary Financials (NZ$M)




Revenue source FY11




## Key Brands

Golden Bay Cement — We Commit. We Do.
HUMES
Rocla Pipeline Products
WINSTONE AGGREGATES
Firth
Rocla Quarry Products

## Business Description

| | |
|---|---|
| Firth (NZ) | NZ's leading national concrete company supplying readymix and masonry products throughout the country. |
| Winstone Aggregates (NZ) | NZ's largest cement manufacturer and distributor of aggregates and sand to roading, readymix concrete and concrete product industries, and other building and civil engineering customers. |
| Humes (NZ) | NZ's leading supplier of manufactured concrete infrastructure products to civil contractors, developers, local governments and other authorities. |
| Golden Bay Cement (NZ) | NZ's largest cement manufacturer for readymix producers, concrete product manufacturers, building materials distributors, paving and construction contractors, and other major users |
| Rocla Pipelines (AUS) | Leading Australian supplier of manufactured concrete infrastructure products to civil contractors, developers, local governments and other authorities. |
| Rocla Quarry (AUS) | Construction sands manufacturer supplying sands to the building & construction industries throughout Australia. |

# Concrete Results

| NZ$m | Dec 2011 6 months | Dec 2010 6 months | %r |
|---|---|---|---|
| **Sales** | 468 | 442 | +6 |
| **EBITDA**<br>•Concrete NZ<br>•Concrete Aust. | <br>47<br>44 | <br>51<br>36 | <br>-8<br>+22 |
| **Total EBITDA** | 91 | 87 | +5 |
| **EBIT** | 60 | 57 | +5 |
| **Funds Employed** | 1052 | 1027 | |
| **EBITDA/sales %** | 19.4 | 19.7 | |
| **EBIT/sales %** | 12.8 | 12.9 | |
| **ROFE %** | 11.4 | 11.1 | |

## NZ Concrete

Volume declines in cement, aggregates and masonry reflecting weaker construction markets

Ongoing cost out programme helped offset volume declines

## Australia Concrete

Strong first half results through a focus on product pricing and operational enhancements

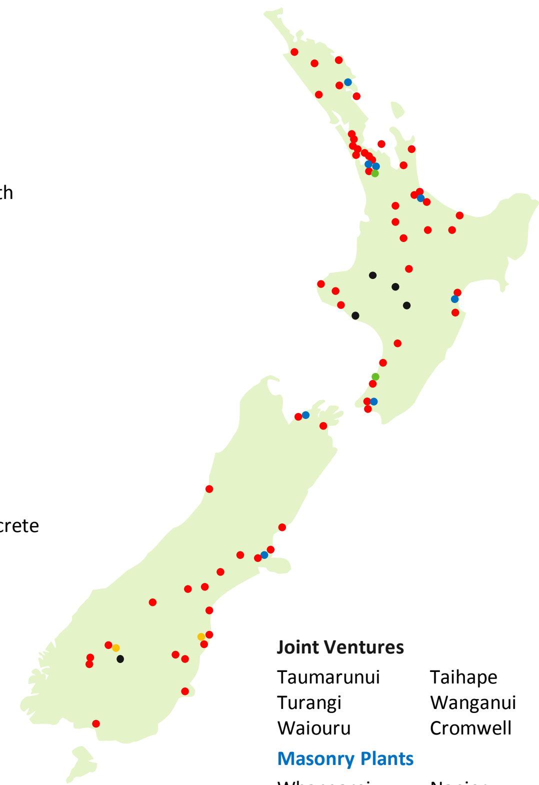
# Firth Industries



# Firth Industries

**Certified Plants**

Kaitaia
Puketona Junction
Russell
Whangarei
Dargaville
Marsden Point
Matakana
Wesllsford
Mangawhai
Silverdale
Albany
Henderson
Hamer Street
East Tamaki
Leonard
Road
Waiheke Island
Pukekohe
Takanini
Auckland Airport
Thames
Whitianga
Whangamata
Waihi
Katikati
Mt Maunganui
Te Puke
Whakatane
Te Awamutu
Te Rapa
Rotorua
Kawerau
Tokoroa
Taupo
Awatoto
Hastings
New Plymouth
Stratford
Hawera
Palmerston North
Otaki
Kapiti
Belmont
Aotea Quay
Nelson
Blenheim
Greymouth
Stockton
Hamner Springs
Amberly
Darfield
Hornby
Canterbury Concrete
Ashburton
Geraldine
Fairlie
Timaru
Twizel
Hilderthorpe
Oamaru
McRaes Mine
Palmerston
Dunedin
Queenstown
Wanaka
Edendale
Invercargill



**Joint Ventures**

| | |
|---|---|
| Taumarunui | Taihape |
| Turangi | Wanganui |
| Waiouru | Cromwell |

**Masonry Plants**

| | |
|---|---|
| Whangarei | Napier |
| Drury | Belmont |
| East Tamaki | Nelson |
| Mt Maunganui | Christchurch |

**Oamaru Shingle Supplies**

| | |
|---|---|
| Hildethorpe | Parkburn Cromwell |

**Dricon Plants**

| | |
|---|---|
| Tuakau | Waikanae |

## NZ's largest ready mix producer

- 66 plants (including 6 unmanned)
- 30%+ market share
- 6 Joint Venture plants (all 50% share except one at 32.5%)
- New state of art Central Mix plant opening in Te Rapa May 2012

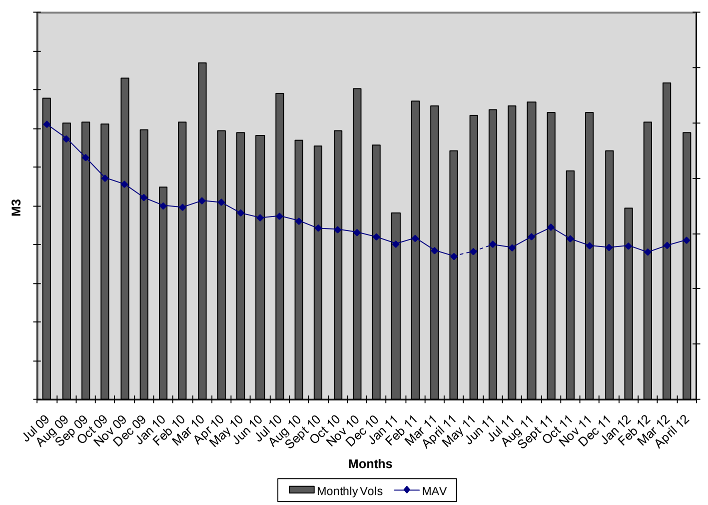
## NZ's largest masonry manufacturer

- 8 plants owned
- 50% JV with 2 plants

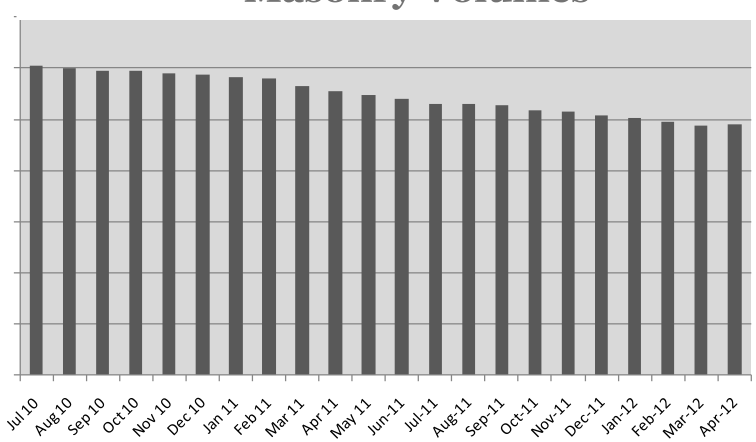
## Employ 565 people (down from 675 in 2008)

# Firth Industries - Readymix

## Certified volumes and MAV




## Masonry Volumes




**Volume is the issue in most markets excluding Christchurch**

**Readymix footprint review to result in several plant closures, relocation or capacity sharing agreement**

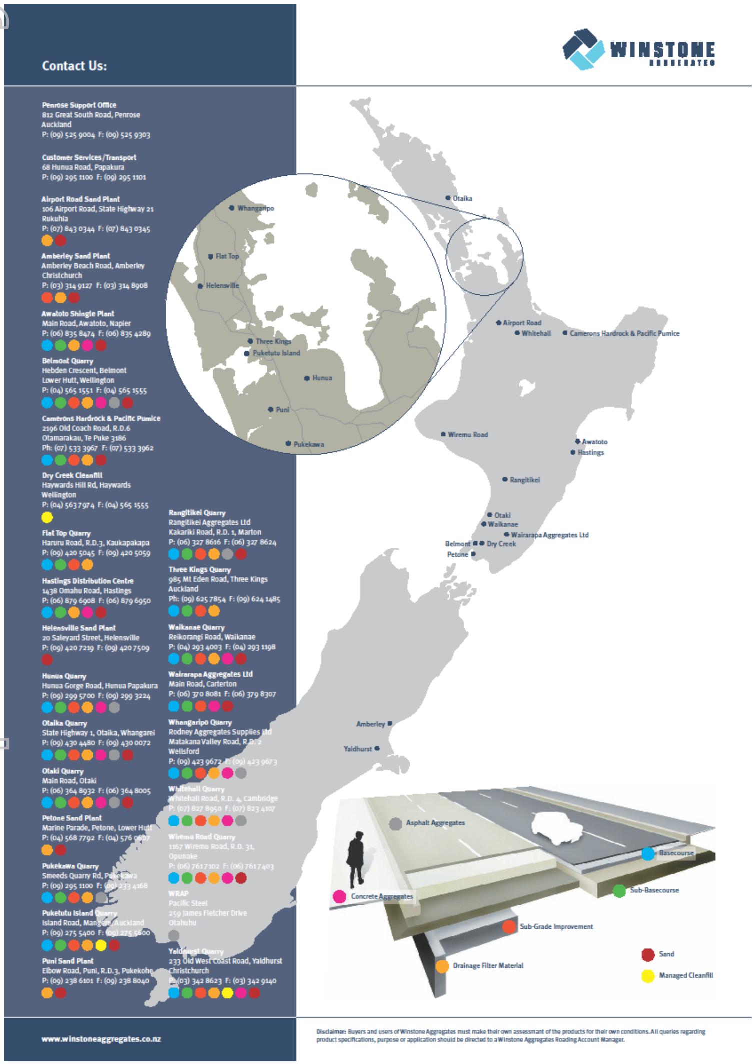
**Masonry market decline**

Christchurch residential market stagnated pending rebuild decisions

**Masonry cost per tonne down 4% over past 3 years, excluding raw materials costs**

**Northern plants being reviewed**

# Winstone Aggregates - Overview




## NZ's largest quarry operator

- 19 hardrock operations (incl JV)
- Four sand operations
- Four cleanfill sites

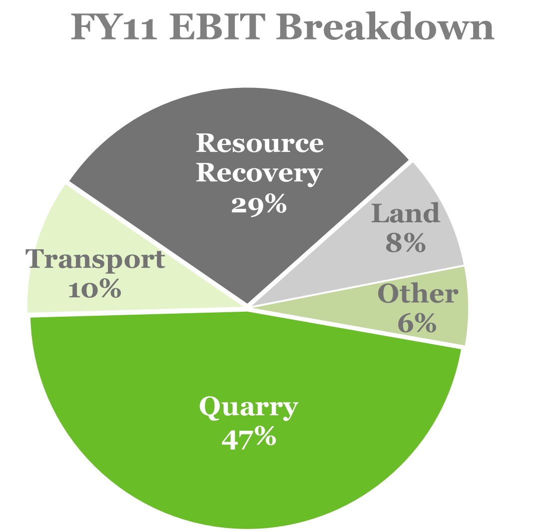
## NZ's largest licensed cleanfill operator

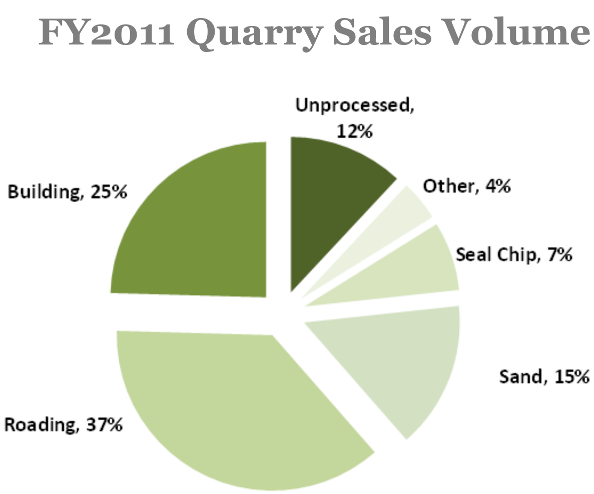
## A bulk transport operator with 66 units in service including 12 bulk cement tankers leveraging off group company needs

## Employs 291 people nationally

# Winstone Aggregates - Quarry






FY2011 volumes 28% off the top of the cycle

Resource Recovery/Cleanfill diversification delivering ahead of budget

Average selling price reset underway

Costs controlled with lean operating practices

Christchurch rebuild a significant play, along with Waterview work commencing

# Winstone Aggregates – Quarry End Use


## Three Kings

- 15ha future commercial, residential
- Filling commenced April 12
- Discussions continue on releasing value of land prior to completion of filling

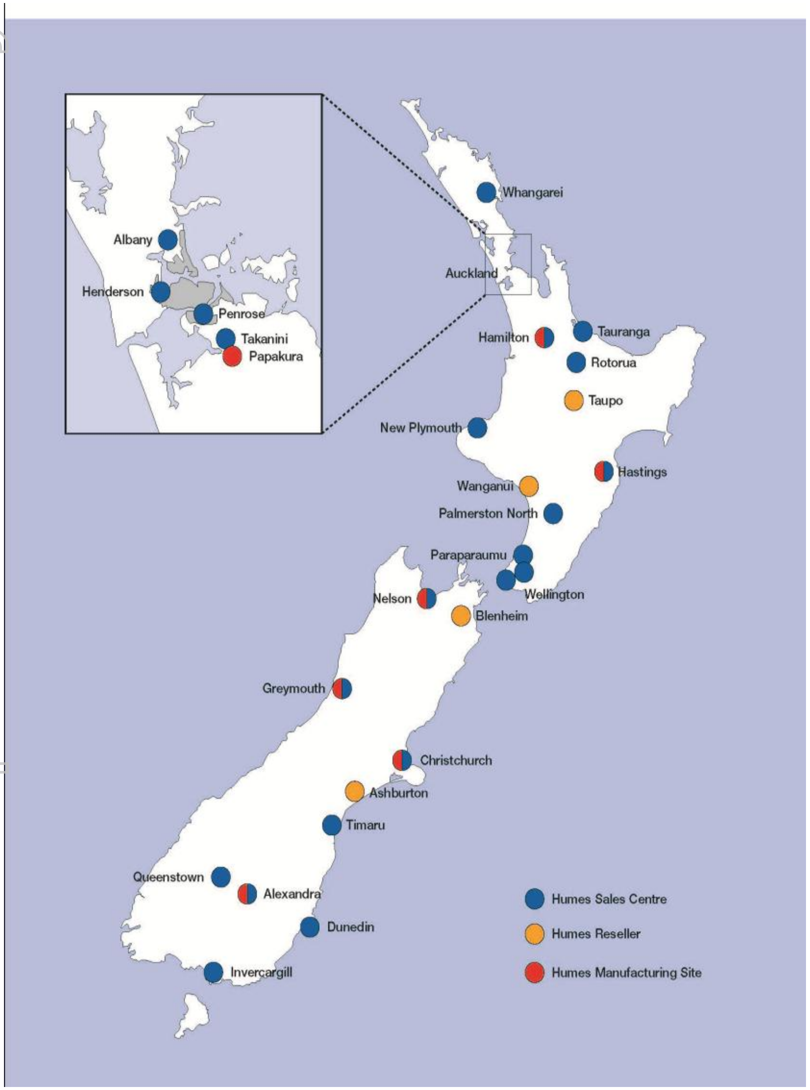
## Wiri

- 43ha (net) industrial zoned land on two sites
- Development and Sales commenced with 4 hectares to Kiwirail

## Pokeno

- 16ha industrial zoned land
- Ready to develop
- Creating saleable titles by boundary adjustment
- Interest has grown in FY12

# Humes Concrete Pipe & Precast - Overview




**NZ's largest pipeline systems company**
- 22 sales centres

**NZ's largest concrete pipe manufacturer**
- Four pipe manufacturing plants
- New vibration technology plants at Papakura (Auckland) & Rolleston (Christchurch)

**Large concrete product manufacturer**
- 7 precast manufacturing plants
  - Drainage products
  - Rural product
  - Box culverts
  - Access pits

**Significant manufacturer of concrete waste-water treatment systems**

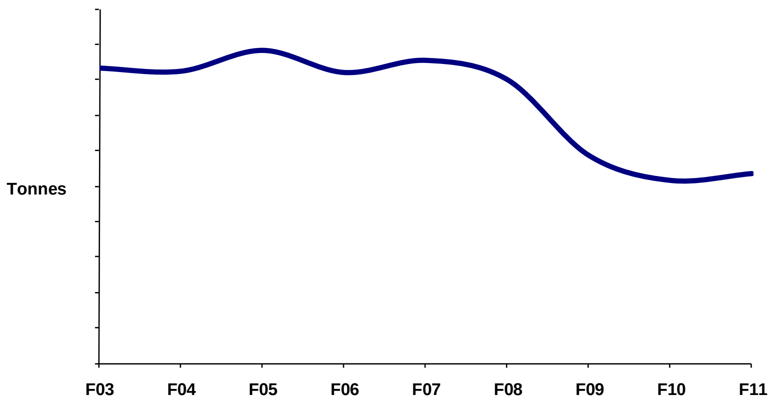
**Large plastic pipe, valve, fittings and street-ware distributor**

**NZ's leading supplier of roading envelope hardware including safety barriers & lighting poles**

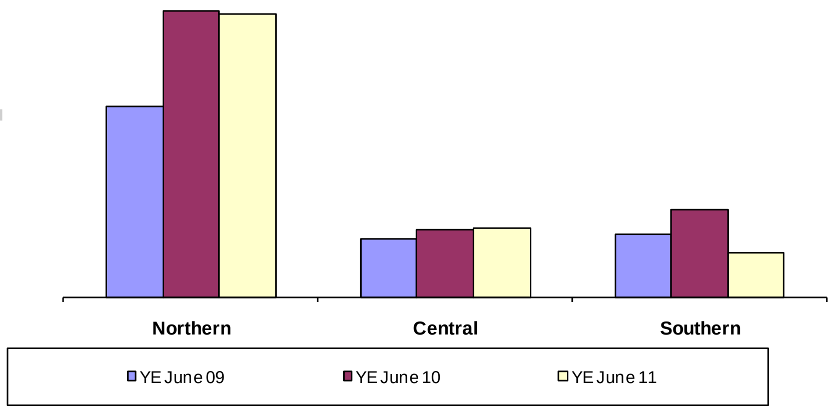
**Employs 365 people nationally**

# Humes - Pipe

## Concrete pipe sales volumes




## Concrete pipe quoted tonnes



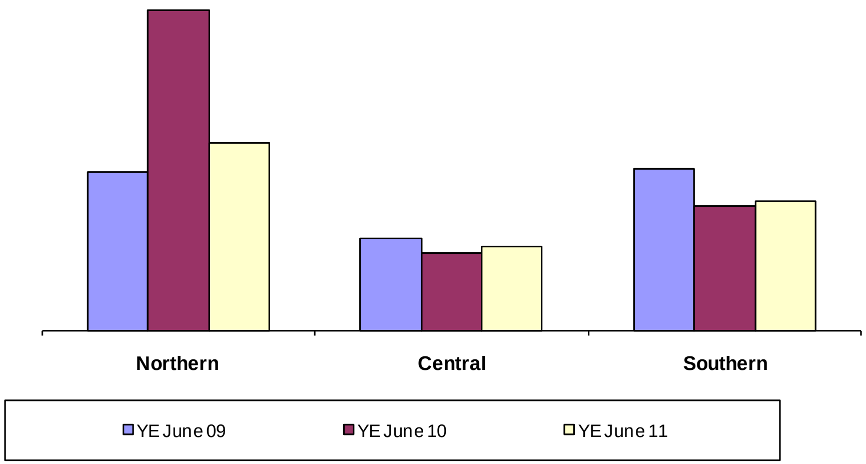

F09 saw dramatic decline in pipe market and sales volumes

Quoting volumes increased by 32% in FY10 and then fell 10% in FY11

Assessed market share has remained stable and was around 52% in FY11

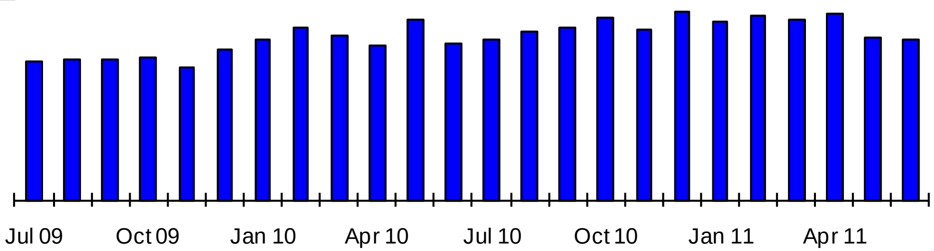
# Humes - Precast

## Concrete precast quoted tonnes




*Source : Humes & Pipeline Systems*

## Total all products open sales orders $




*Source : Humes & Pipeline Systems*

**New sleeper plant commissioned in Hamilton**

- Double capacity to meet 7 year Kiwi Rail contract – 150,000 sleepers per annum
- Significant environmental improvement and health & safety improvements

**All products order backlog June 11 is 18% higher than June 09**

# CSP Pacific



## Leading supplier of roading envelope hardware including safety & lighting


TL-1 Plastic Barrier


TL-4 Steel Barrier


ABSORB 350™ Crash Cushion


Raptor Pole Protector


X-350 Terminal End


Bridge Rail and Posts

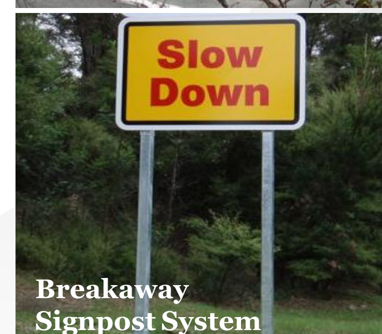

Safence™ Wire Rope Barrier


Universal TAU-II™ Crash Cushion


Multiplate Structures

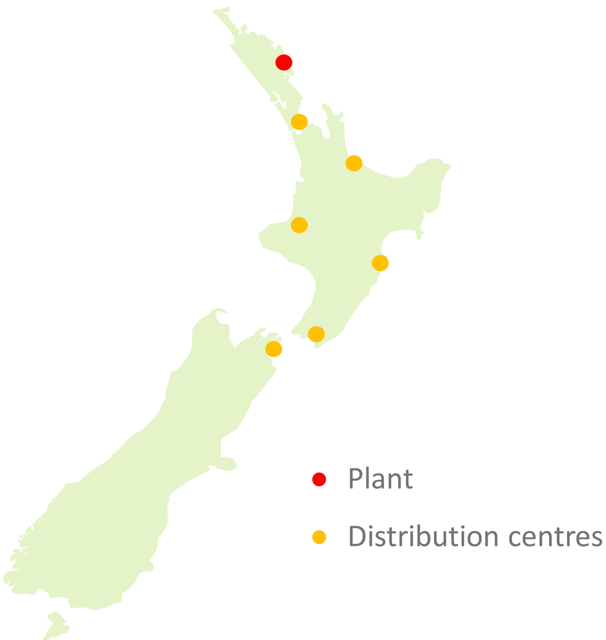

Decorative Columns


Oclyte™ Streetlight Columns



Breakaway Signpost System

# Golden Bay Cement - Overview




NZ's largest cement manufacturer

1 million tonne, strategically located plant (North Island 70% market)

$105m upgrade completed 2005, increased capacity and updated plant; next 5 years plant maintenance capex only

State of the art distribution centre in Auckland commissioned Feb 2010

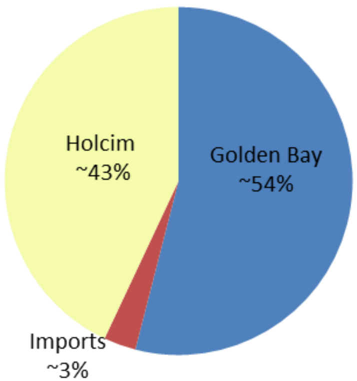
Key employer in the Whangarei district with 226 employees

Winner of EECA 2012 Renewable Energy Award

# Golden Bay Cement – Market position

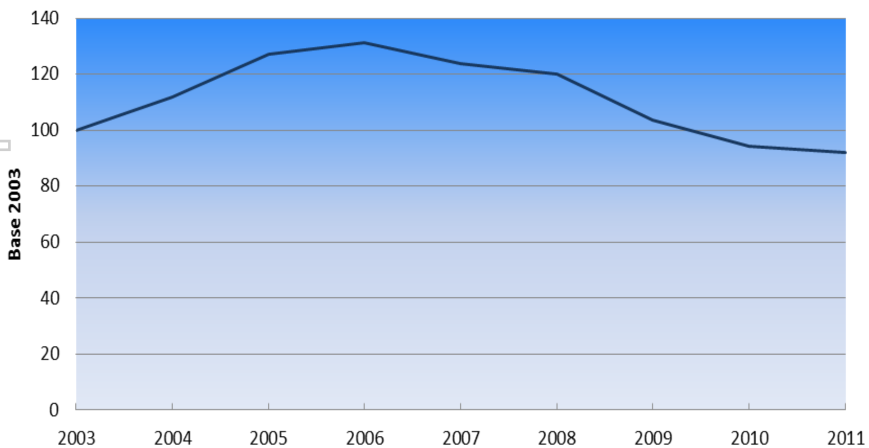


## New Zealand Market Share estimate




*Source : Golden Bay Cement*

## New Zealand sales volumes



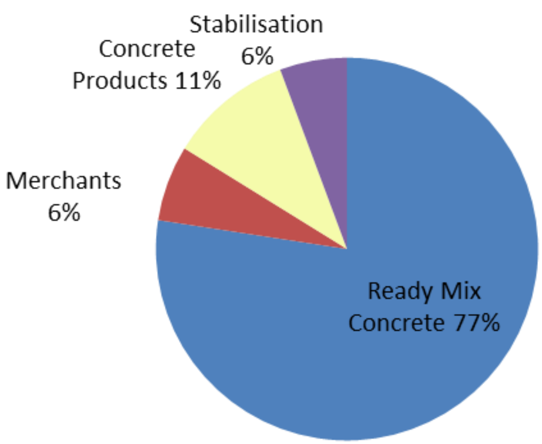

## FY11 NZ Sales down 2% pa

## Share position strong

## Export sales steady 17% of total sales

# Golden Bay Cement – Competitive Environmental

New Zealand sales analysis FY11




- Cement imports have increased due to high exchange rates and low shipping rates
- Clinker grinding plant being considered by syndicate in Mt Maunganui
- Difficult to recover cost increases in current environment
- Key competitor approaching decision time on plant replacement
- High leverage to an increase in volumes

# Rocla Pipeline Products - Overview


One of the two largest concrete pipe manufacturers, market share 35%

Largest concrete poles manufacturer

One of two largest railway sleeper manufacturers

Manufacturer of steel reinforced plastic pipe & tanks

One of two largest integrated suppliers of safety barrier products

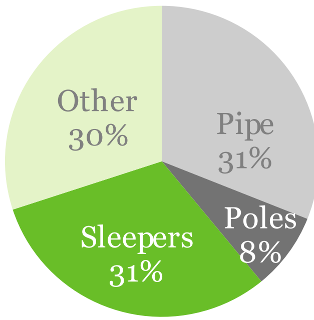
2nd largest manufacturer of corrugated steel products & leader in large span engineered structures

18 manufacturing facilities

850+ people employed

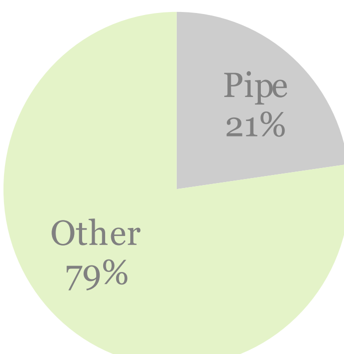
# Rocla Pipeline Products: Concrete Pipe and Products

## Sales tonnes FY11




*Source : Rocla Pipeline products*

## Margin contribution FY11




*Source: Rocla Pipeline Products*

**Pipe volumes increased 4% in FY 11**

**Pipe contribution to GM has improved & stabilised around 21-22%**

**Strategy to grow non-pipe products has delivered**

- Sleepers
- Water quality
- Poles
- Pipeline precast
- Box culverts
- Bridges
- Safety barriers (ACP acq Sept 10)
- Corrugated metal pipe (Atlantic acq Jan 12)

# Rocla Pipeline Products - Concrete Pipe and Products

**Despite tough markets in some Regions since acquisition EBIT growth has been good**

**Growth focus**

- Plastream plastic pipe facility established
- Adelaide pipe site sold & relocating to new facility
- Segmental Shaft technology secured
- Atlantic Civil Products acquired

**Regional outlook mixed**

- NSW signs of housing recovery
- Victoria forecast to decline
- Queensland – volumes not declining but price pressure
- WA steady

# Rocla Quarry Products - Overview




**An independent sand quarry operator with 17 quarries in NSW, Victoria, SA and WA**

**Products supplied includes:**

- Concrete sands
- Building and plaster sands
- Dried sands
- Silica sands (including glass sands)
- Fill sands

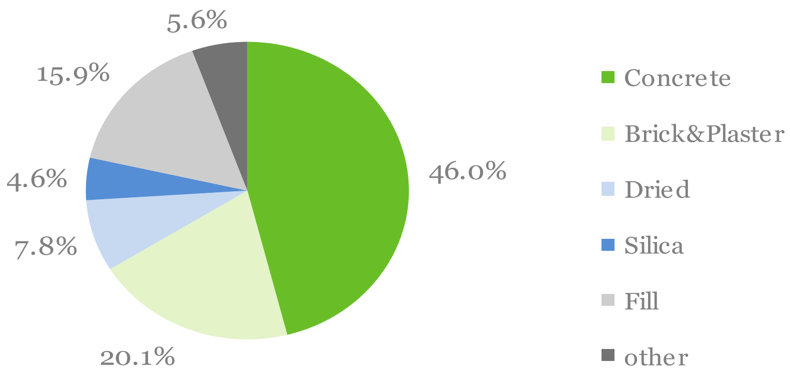
**Participant in a joint venture hard rock quarry in Queensland**

**Employs 160 people nationally**

# Rocla Quarry Products - Performance



**Revenue by Segment FY11**




**Forecast FY12**

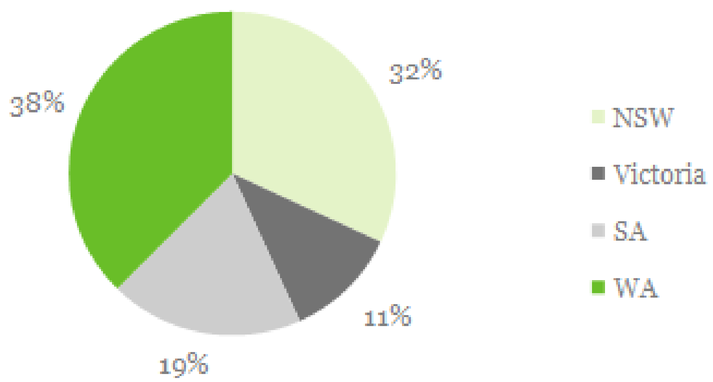
- Sydney market remains flat
- Housing flat and a drop in Non Residential
- Drop in Fill sand as major developments have slowed

**Sydney Sand market a developing story**

- The Penrith Lakes operations will close FY2014
- Advanced progress to upgrade Rocla's existing Calga quarry
- Commenced development of greenfield quarry at Green Valley

# Rocla Quarry Products - Performance

## Revenue by State FY11




## Strong share position in most key markets

| City | Rocla Share % |
|---|---|
| Sydney | 25% |
| Melbourne | 12% |
| Adelaide | 33% |
| Perth | 61% |

*Source: Rocla Quarry Products FY11 estimates*

**States all in different parts of the cycle**

**Key leverage is to a NSW upturn**

**Growth opportunities in Pilbara Region of WA from large Gas development and associated infrastructure projects at Onslow**

# Key strategic issues



**Challenging Environment**

- Low volume environment, underutilised assets
- Increasing competitive dynamic

**Concrete Division sources of competitive advantage**

- Capability – people, assets, technology
- High degree of integration
- Strategic positions and capacity
- Scale and powerful brands
- Strong industry relationships

**Strategies are focused on costs, utilising scale, asset productivity and growth**