

FLETCHER BUILDING LIMITED
NEWS RELEASE

Fletcher Building to buy Higgins road construction company

Auckland, 2 February 2016 – Fletcher Building Limited (“Fletcher Building”) announces that it will acquire the New Zealand road construction and maintenance business Higgins Group Holdings Limited (“Higgins”) and other related assets, together with Higgins’ Fiji contracting business, for a total consideration of NZ\$315 million.

The businesses being acquired as part of this transaction comprise principally:

- Higgins’ road construction and maintenance operations in New Zealand, including asphalt and bitumen plants
- Road construction and maintenance operations in Fiji
- Higgins’ aggregates business, which includes 16 operational quarries
- Other related businesses including the manufacture of traffic signs, and bitumen tanks and sprayers

Higgins’ ready-mix concrete and property businesses are excluded from the transaction.

Higgins is the third largest participant in the New Zealand road construction and maintenance sector, and is integrated with its quarry operations. The business has had a strong growth trajectory in recent years, driven by the expansion of its base from the lower North Island into the Auckland, Waikato, Bay of Plenty and Canterbury regions. This has been augmented by strong growth in its Fiji operations, where two major contracts have been won.

Higgins recorded revenue of \$391 million and underlying operating earnings (EBIT) of \$35 million in the 2015 financial year, and is expected to generate operating earnings of \$40 million in 2016. The price being paid for the business represents a multiple of 7.9 times forecast 2016 EBIT, and Fletcher Building anticipates the transaction will be earnings per share accretive from its first year. The acquisition will be funded from Fletcher Building’s existing cash and debt facilities.

The agreement is conditional on a number of factors including Overseas Investment Office and Commerce Commission consent. It is anticipated the acquisition will be completed by around 30 June 2016.

Fletcher Building has partnered with Higgins on road construction projects for over 25 years, and has forged a close working relationship with the business over that time.

Fletcher Building chief executive officer Mark Adamson said he was delighted that Fletcher Building had been able to conclude the transaction with the Higgins family.

MORE

For personal use only



"We have signalled for some time our desire to extend our activities into the road construction and maintenance sector, where we have identified significant opportunity. Higgins was a logical choice for Fletcher Building to talk with given our strong history of working together.

"We believe that a combination of Fletcher Building and Higgins will provide our customers with a stronger proposition for both new road projects and maintenance contracts. We also see further benefits for a number of group businesses in being able to work more closely with Higgins, and believe that we can derive further value from the acquisition through operational synergies.

"Higgins has achieved strong growth in Fiji, and this business complements our existing South Pacific construction activities. We will be looking to extend the sphere of operations beyond Fiji into other South Pacific territories over the next few years," Mr Adamson said.

ENDS

For further information contact:

Investors:

Philip King
Group General Manager,
Investor Relations & Capital Markets

Phone: + 64 9 525 9043
Mobile: + 64 27 444 0203
Email: philip.king@fbu.com

Media:

Shannon Huse Caldwell
External Communications Manager

Phone: +64 9 525 9085
Mobile: +64 27 807 2933
Email: shannon.husecaldwell@fbu.com

Fletcher Building is an integrated manufacturer and distributor of infrastructure and building products, and a construction company. From the smallest grain of sand to projects of great scale, we make, deliver and build to improve infrastructure, build communities and strengthen economies. We have 19,000 people working in 25 business groups in 45 countries. For more visit www.fbu.com

For personal use only



About Higgins

Higgins was founded in 1958 by Dan Higgins and developed by his three sons into a mid-sized regional contractor in road maintenance and minor capital works sectors with a particular strength in its head office region of Palmerston North (Manawatu). Over the years it has also vertically integrated its operations in some regions with the manufacture and supply of concrete, aggregates and bitumen.

Recognising the need to reposition the business following the GFC and changing market dynamics, the Higgins family appointed external management (including David Geor as CEO and Ant Gale as CFO) in 2012.

Since this time Higgins has been through a period of further growth, undertaking a number of strategic initiatives to compete for large maintenance contracts.

Some of Higgins' key initiatives include:

- With HEB jointly bid for the Auckland Central East maintenance contract (Liveable Streets), securing this contract in 2013 for 4+2 years
- Securing the Western Division Maintenance contract in Fiji in 2013
- Acquiring Calcon Ltd, a Christchurch based roading and civil construction company, along with its sister company Selwyn Quarries in 2013 for \$20m
- Acquiring other land/aggregate resource in the Christchurch area
- Entering the market to bid for Network Outcome Contracts managed by the NZ Transport Agency (management of major regional highway networks), securing Manawatu and Eastern Bay of Plenty in 2014, and Hawkes Bay in 2016
- Securing board positions on many of New Zealand's major alliance road infrastructure projects including the Mackays to Peka Peka Expressway

ENDS

For personal use only

Fletcher Building Limited

Acquisition of Higgins

2 February 2016

HIGGINS[®]



Disclaimer

This presentation contains 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 are all available on the company's website. Please read this presentation in the wider context of material previously published by Fletcher Building.



Higgins acquisition overview

Fletcher Building has reached an agreement to buy the NZ and Fiji road construction and maintenance businesses of Higgins and the Higgins aggregates business and other related activities

Total consideration of NZ\$315m, EBIT multiple of 7.9x FY16 budget EBIT

Completion expected around 30 June 2016, subject to Overseas Investment Office and Commerce Commission consents being obtained

Higgins' ready-mix concrete and property businesses are excluded from the transaction

HIGGINS[®]



Higgins: overview of business being acquired

		Revenue FY15* (NZ\$m)
1	Contracting New Zealand	
<ul style="list-style-type: none"> • Historic core of the business: 16 branches, strong in lower North Island, Auckland, and Waikato / Bay of Plenty, and Canterbury • 3 core segments: maintenance, capital works, and asphalt / bitumen 		\$313m
2	Contracting Fiji	
<ul style="list-style-type: none"> • Established 2012 • Two major contracts: Nadi N2 gateway project (capital works) & Western Division maintenance contract 		\$55m
3	Aggregates & Other	
<ul style="list-style-type: none"> • 16 operational quarries, primarily in the lower North Island and mainly alluvial-based • Christchurch quarry will strengthen Fletcher position in Canterbury • High level of pull-through to ready-mix & contracting businesses 		\$23m
Total Revenue*:		\$391m
Operating Earnings (EBIT):		\$35m

Note: *12 months ending 31 October 2015, based on management accounts



Higgins is a complementary business that deepens Fletcher Building's construction offering

NZ roading market is strong and growing, driven by increasing revenue from road user levies

Higgins' road contracting and maintenance business is highly complementary to Fletcher Construction

- Fletcher Construction's Infrastructure business provides design and construction services for civil, industrial, transport, energy and marine projects
- Higgins provides pavement design, construction and maintenance services for roads, sea ports, airports and site works
- Complementary but not overlapping activities
- Fiji Contracting business complements Fletcher Construction's existing South Pacific operations



Higgins is a strong fit with Fletcher Construction

Fletcher Construction can add value to the Higgins business by:

- Offering a stronger, fully-integrated proposition to win new capital works and maintenance contracts (both local authority and Network Outcome Contracts)
- Continuing to improve project delivery performance
- Delivering operational synergies

Higgins is a long-term partner to Fletcher Construction – distinct cultures, but strong links which will support integration

Higgins is already a key supplier to Fletcher Construction on major infrastructure projects



Purchase price and valuation

Negotiated purchase price of NZ\$315m

Supported by DCF valuation on existing business, no growth opportunities factored into valuation

Conservative synergy assumptions of net \$2m EBIT benefit per annum

Transaction multiple is 7.9x FY16 budget EBIT

Implied ROFE is 13%



Acquisition funding

Purchase of Higgins will be through mix of cash and debt funding

- Proceeds from sale of Rocla Quarries (NZ\$212m)
- Headroom available within Fletcher Building's NZ\$725m syndicated bank facility

Acquisition accounting (before fair valuation exercise):

	NZ\$m
Fixed Assets	119
Working capital	22
Other	174
Total	315



1 Higgins Contracting NZ overview

Contracting NZ has 16 branches, incorporating the asphalt and bitumen plants

Branches offer both capital works and maintenance services, and pull through bitumen and asphalt

Contracting NZ earnings are split roughly as 25% road maintenance and 75% capital works (based on FY16 budget estimates)

There are 23 Network Outcome Contracts in the NZ Transport Agency programme – Higgins has secured 3 so far, including recent award of Hawkes Bay

Total employees: ~1500



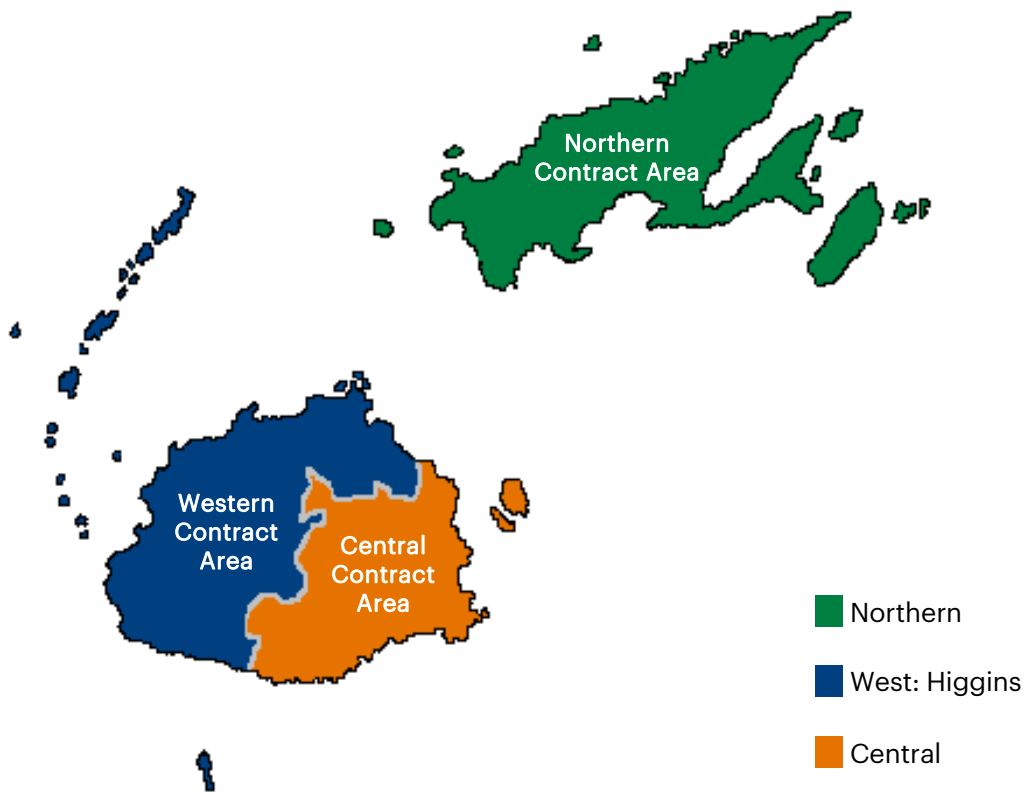
1 Higgins Contracting NZ business segments

Maintenance	Current capital works			Asphalt & bitumen
	Major capital works	Minor capital works	All other small works	
<ul style="list-style-type: none"> • Large maintenance contracts with NZTA (Network Outcome Contracts) & local authorities • Road, footpath, sealed and unsealed pavement maintenance • Remedial works following weather related events (clearing slips, rebuilding pavement and drainage) 	<ul style="list-style-type: none"> • Delivery of major projects • Higgins are experts in laying pavement • Will partner with large contractors 	<ul style="list-style-type: none"> • Jobs often arise from O&M contracts • Re-sealing, repairing and replacing roads, building a small road, roundabouts etc. 	<ul style="list-style-type: none"> • All other work in relation to laying pavement, including residential, (e.g. laying a driveway), commercial, (e.g. supermarket carpark resealing) 	<ul style="list-style-type: none"> • Bitumen purchased primarily from Z Energy and stored in tanks in Napier • Bitumen sold to Higgins branches for jobs, manufactured into other types of bitumen or sold to third parties • Asphalt manufactured at 8 sites in NZ, sold into contracting business & also to third parties

Note: "O&M" – Operations & maintenance; "NZTA" – New Zealand Transport Authority



2 Higgins Contracting Fiji: Currently has 2 key contracts



Current key contracts:

1. Construction of the Nadi N2 road from Nadi township to the airport
2. Western Division maintenance contract

Fiji market likely to offer further expansion opportunities:

- Further major road construction projects planned
- Ongoing maintenance contract work; FRA's 2015 budget for maintenance was c. F\$94m*

*Source: Fiji Roads Authority



2

The Fiji business has developed a strong position in both maintenance and capital works

Overview

- Maintenance is the core operation of Contracting Fiji, with Higgins winning the first-term outsource of the Western Division maintenance contract from the Fiji government for Jan 2013 to Dec 2016, with a one-year extension option
- Higgins is the first company to win the maintenance contract, by delivering a cost effective bid
- Higgins secured the Nadi N2 contract from the Fiji Roads Authority (FRA) in FY14, involving the construction of a four lane road to Nadi airport. The contract is scheduled to be completed by late 2017
- The Fiji business has demonstrated a good track record of performance recently and is a strong competitor in the market

Plant operations and premises

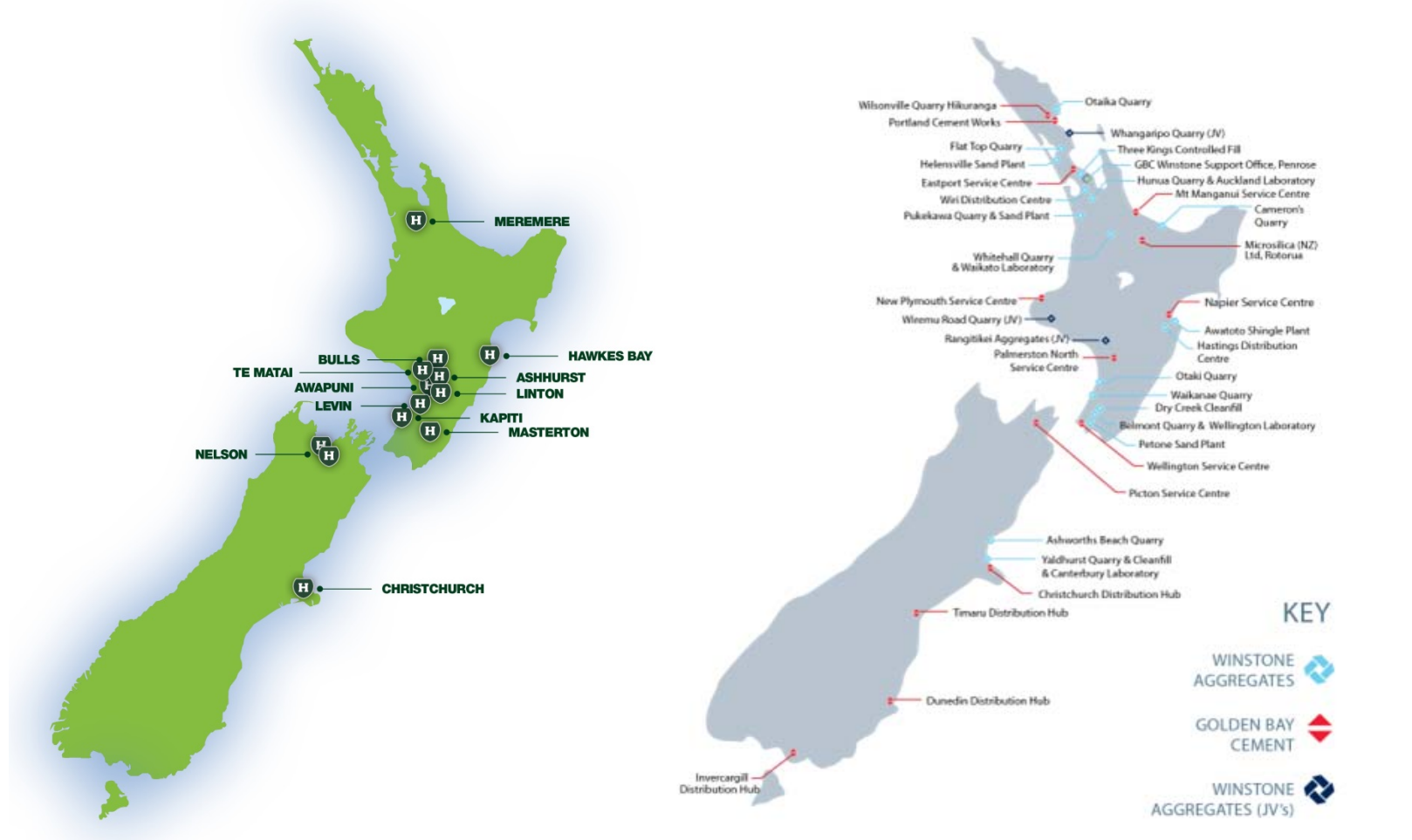
- Plant and premises are in good condition and fit for purpose
- Mobile plant is new, including plant of subcontractors, fixed plant older
- Asphalt plant is in good condition
- Operates ~9 depots, with the main depot in Nadi employing ~80 people and a testing laboratory

People

- Majority of senior management are expats who are dedicated to staying in Fiji
- Overseers down to labourers tend to be locals who work in the same depot locations as when the contract was previously directly run by the Fijian Government



3 Aggregates & Other: Higgins' quarries mainly in the lower North Island, plus strong Christchurch position



Acquisition of Higgins and sale of Rocla Quarries accommodated by changes to divisional structure

Building Products: Matt Crockett	International Businesses: Francisco Irazusta	Distribution: Dean Fradgley	Residential & Land Development: Steve Evans	Construction: Graham Darlow
<ul style="list-style-type: none"> • GBCWinstone (NZ) including Higgins Aggregates • Firth (NZ) • Humes (NZ) • Rocla (Aus) • Winstone Wallboards/Tasman Insulation (NZ) • Fletcher Insulation (Aus) • Iplex (NZ & Aus) • Sims Pacific Metals (NZ) • Fletcher Aluminium (NZ) 	<ul style="list-style-type: none"> • Formica Asia • Formica Europe • Formica North America • Laminex (NZ & Aus) • Roof Tiles Group (NZ; Asia; Europe; USA) 	<ul style="list-style-type: none"> • PlaceMakers (NZ) • Mico Plumbing (NZ) • Tradelink (Aus) • Stramit (Aus) • Tasman Sinkware (Aus); <p><u>Steel Distribution:</u></p> <ul style="list-style-type: none"> • Fletcher Easysteel (NZ) • Pacific Coil Coaters (NZ) • Dimond Roofing (NZ) • Fletcher Reinforcing (NZ) 	<ul style="list-style-type: none"> • Fletcher Living (NZ) 	<ul style="list-style-type: none"> • Infrastructure (NZ) • Fletcher EQR (NZ) • South Pacific • Higgins Contracting (NZ & Fiji) • Building + Interiors (NZ)

Supported by Fletcher Building Corporate Services:

People and Communications – Kate Daly, People and Communications Officer
 Strategy and Finance – Gerry Bollman, Chief Financial Officer
 Group Technology – John Bell, Chief Information Officer
 Governance and Property – Charles Bolt, Company Secretary and General Counsel
 Procurement, Marketing, Operational Excellence and Transformation - Lee Finney, Chief Transformation Officer



Fletcher Building Limited

Acquisition of Higgins

2 February 2016

HIGGINS[®]

