Fletcher Building Half Year Results to 31 December 2022

15 February 2023

Fletcher Building Limited

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Agenda

1. Results Overview	Ross Taylor
2. Financial Results	Bevan McKenzie
3. Outlook	Ross Taylor

HY23 summary

Strong first half across materials and distribution businesses, offset by softer residential and industrial sales

Ongoing Performance & Growth

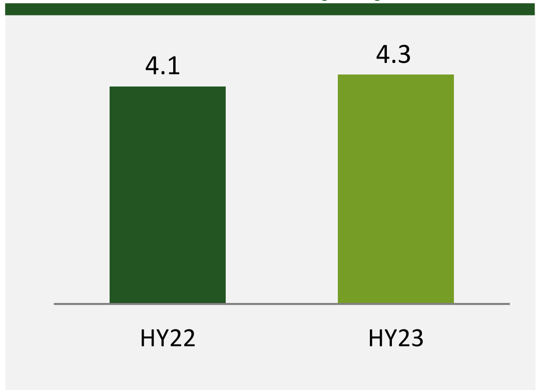
- **HY23 performance**
  - EBIT $360m, good growth and margin in materials & distribution divisions, softer Residential house sales
  - Net earnings $92m, includes flagged construction provisions of $150m
  - ROFE 17.8%, balance sheet strong, HY23 cash flows impacted by timing of planned working capital
  - HY23 interim dividend of 18.0 cents per share, in line with HY22, fully imputed
- **Growth investments starting to lift bottom line earnings**
  - Investments well advanced with c.$400m to be deployed in FY23 (total investment c$700m across FY23-26). Continue to target ≥15% ROFEs
  - TUMU & Waipapa acquisitions deliver c.$25m run-rate EBIT in FY24; organic projects contributing from FY25-26
- **FY23 EBIT guidance now $800m to $855m**
  - Very wet Jan-Feb in NZ; underlying business performance tracking well, market activity in balance of FY23 is key driver of result
- **Positioning cost base and working capital for a softer FY24 to ensure robust margins and cashflows**

Note: EBIT, EBIT margin and ROFE are before significant items

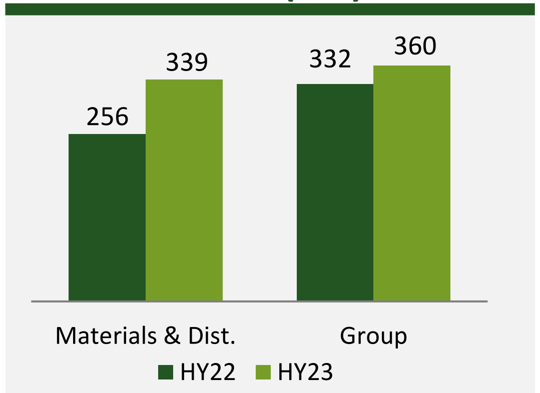
HY23 results at a glance

Earnings and margin uplift driven by materials & distribution divisions, Group ROFE remains strong

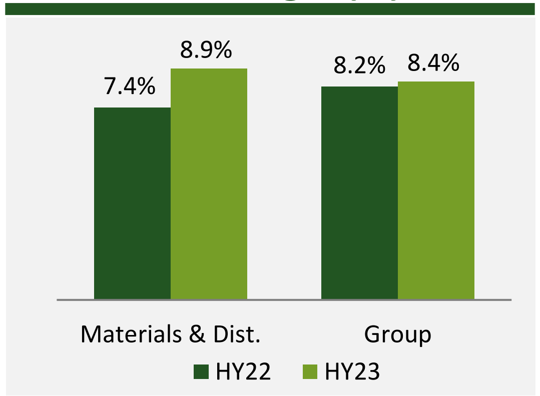
Revenue ($b)



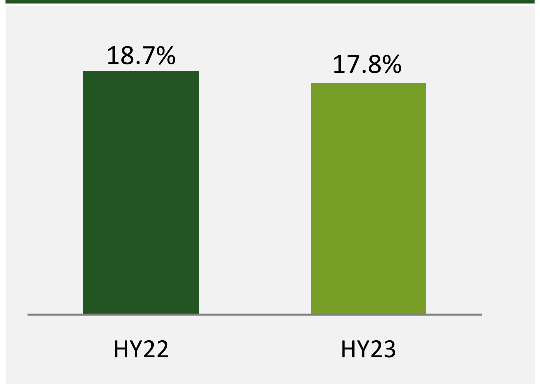
EBIT[1] ($m)



EBIT Margin (%)[1]



ROFE[1,2] ($m)



HY23 trading highlights

- **Materials & distribution divisions** solid trading conditions, sales volumes in line with or slightly below 2H22 (1H22 impacted by COVID lockdowns), effective pricing to recover input cost inflation. Material improvement in Australia, EBIT margin 5.3%
- **Resi & Devt** house sales softer in a cooler housing market, though the business remains well-positioned at lower price points; Industrial Devt EBIT back to usual run-rate, $16m in 1H23 ($47m in 1H22)
- **Construction** return to 1H profitability (ex. NZICC $150m provision), solid order book for go-forward business
- Group ROFE remains well ahead of ≥15% target

1. Before significant items

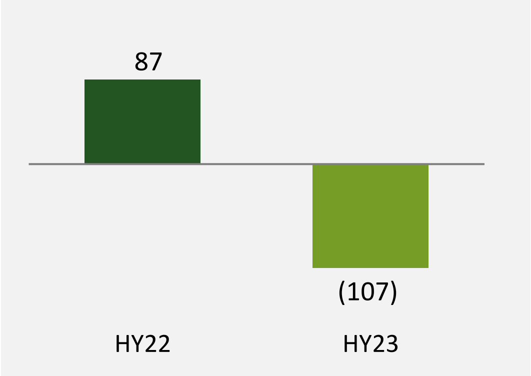
2. Return on Funds Employed (ROFE) is EBIT excluding significant items to average funds (net debt and equity less deferred tax asset)

Note: Measures before significant items are non-GAAP measures used by management to assess the performance of the business & have been derived from Fletcher Building Limited's financial statements for the period ended 31 December 2022. Details of significant items can be found in note 2.1 of the financial statements

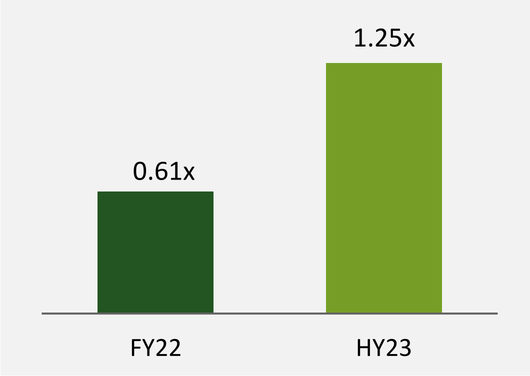
HY23 results at a glance

Cash flows lower on rebuild of land and housing stocks, as flagged; balance sheet remains strong

Trading Cash Flow ($m)



Leverage (Net Debt/EBITDA[1])



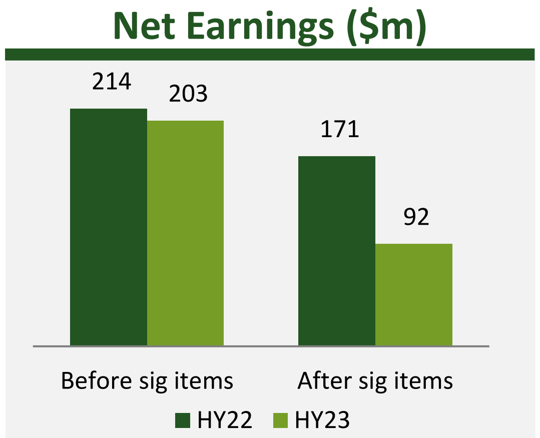
HY23 trading highlights

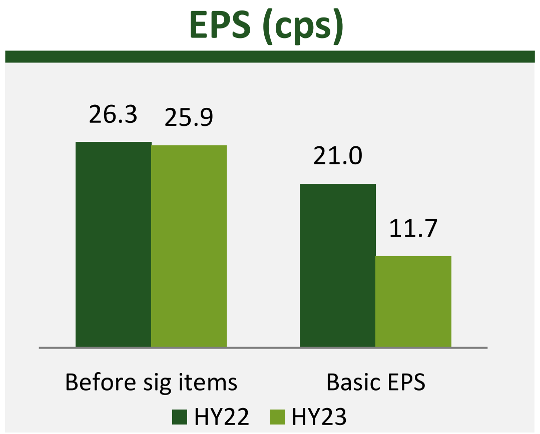
- **Materials & distribution divisions** good 1H23 trading cash flows of $206m
- **Resi & Devt** 1H23 rebuild of land and housing stocks following significant drawdown in FY21-FY22; market valuation of land remains c.$350m higher than book value
- **Construction** impacted by $28m legacy cash outflow
- Group leverage ratio moves to 1.25x as flagged, driven by Resi & Devt stock rebuild and growth capex
- Balance sheet remains strong: $1.1b liquidity

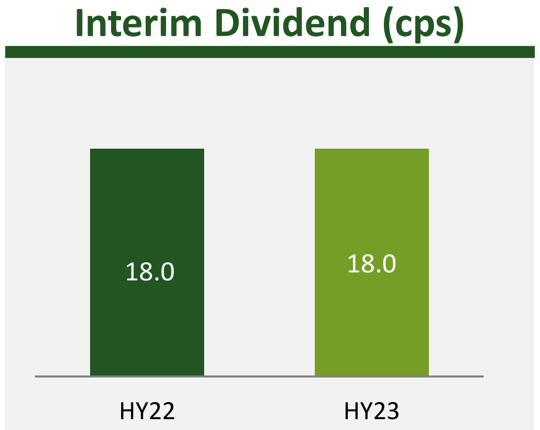
1. Before significant items

HY23 results at a glance

Interim dividend of 18.0 cents per share declared, fully imputed







HY23 trading highlights

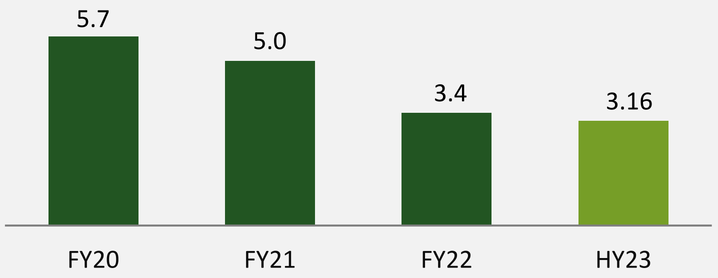
- Net Earnings of $92m includes significant Items of $154m (vs $43m in HY22) predominantly due to construction provisions
- Net earnings before sig items slightly lower due to funding costs as flagged
- Interim dividend of 18.0 cents per share, fully imputed, to be paid on 6 April 2023

Balanced Scorecard

Good progress continues on driving safety culture and lowering our carbon emissions

Safety: continued good progress

Total Recordable Injury Frequency Rate [1]



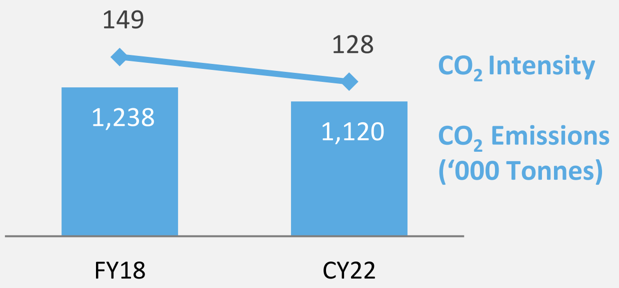
94%

(925) sites
injury free

- 24% reduction in TRIFR vs HY22
- 94% of sites injury free
- >2,000 Risk Containment Sweeps
- >8,000 hours of Power Up sessions with frontline

Sustainability: 30% lower carbon by 2030, net zero by FY50

Carbon (CO_2) Emissions ('000 Tonnes) and Carbon Emission Intensity [2]



Member of
S&P Sustainability Yearbook

- Committed to enhanced sustainability strategy and targets
- 61% of product revenue from products with sustainability certifications
- c.47% coal substitution with alternative fuels in cement operations & solar energy projects in Australia
- CDP rating raised to A-; DJ Sustainability^{TM} Australia Index member

1. TRIFR = Total no. of recorded injuries per million hours worked. Does not include Restricted Work Injuries
2. Carbon Emission Intensity = FBU CO_2 Tonnes for every \$1m or revenue. ISO 14064-1

Divisional performance summary

EBIT[1] & margin improvements across most divisions, Resi & Devt margins return to more normal levels

Division	EBIT[1]	EBIT[1] Margin
Building Products	$118m HY22: $96m	14.1% HY22: 12.5%
Distribution	$65m HY22: $54m	6.7% HY22: 6.2%
Concrete	$74m HY22: $61m	15.2% HY22: 14.3%
Australia[2]	$82m HY22: $48m	5.3% HY22: 3.5%
Residential and Development	$49m HY22: $112m	22.4% HY22: 35.2%
Construction[3]	$9m HY22: $(5)m	1.4% HY22: (0.7)%

HY23 trading highlights

- **Building Products, Distribution** and **Concrete** robust trading volumes in residential finishing trades & commercial, civil sector softer; good recovery of inflation through price; new products and solutions plus efficiency investments delivering results
- **Australia** significant EBIT margin uplift to 5.3%; improved product mix, digital & pricing strategies, manufacturing efficiencies, and well-controlled cost base; market activity broadly stable though softening in distribution businesses
- **Residential & Development** EBIT reflects softer housing market and lower Ind Devt EBIT ($16m 1H23 vs $47m 1H22); 1H23 house prices 10% below the peak in late 2021, EBIT margins returning to more normal levels, annualised volumes easing to c.800pa, strong focus on balance sheet management
- **Construction** return to 1H profitability, despite delay impacts from labour constraints & wet weather. Order book quality remains strong; two more legacy projects completed, only P2W (2H23) & NZICC (FY25) to go

1. Before significant items
2. Australia HY22 Gross Revenue and EBIT before significant items excludes Rocla business divested during FY22
3. Construction EBIT before significant items is prior to elimination of intra-group margin on the construction of WWB plant at Tauriko of $4m in HY23 and $5m in HY22

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Income Statement

EBIT[1] improvement from materials & distribution offsetting lower Resi & Devt earnings

Income statement NZ$m	Dec 2021 6 months	Dec 2022 6 months	Var
Revenue	4,064	4,284	5%
EBITDA	504	540	7%
EBIT before significant items	**332**	**360**	**8%**
Significant items	(43)	(154)	(258%)
EBIT	**289**	**206**	**(29%)**
Lease interest expense	(30)	(30)	-
Funding costs	(22)	(39)	77%
Tax expense	(63)	(34)	(46%)
Non-controlling interests	(3)	(11)	267%
Net earnings	**171**	**92**	**(46%)**
Basic earnings per share before sig items (cents)	26.3	25.9	(2%)
Basic earnings per share (cents)	21.0	11.7	(44%)
Dividends per share (cents)	18.0	18.0	

HY23 income statement

- EBIT[1] growth ahead of revenue reflects solid performance after COVID-impacted 1H22; supply chain pressures also easing
- Input cost inflation remains elevated: average c.10% vs. 1H22, higher levels in certain areas (e.g. freight, diesel, coal, gypsum).
- Effective pricing saw GM% lift 180bps in materials & distribution
- Significant items: primarily from $150m increased costs to complete complex NZICC rebuild
- Funding costs $39m on higher borrowings; continue to expect FY23 funding costs of $85m-$90m
- Tax expense lower due to impact of sig items
- Interim dividend of 18cps, in line with 1H22, fully imputed, 69% pay-out ratio; reflects ongoing confidence in underlying performance of business

1. Before significant items

Cash flow

Trading cash flows lower, primarily from rebuild of land and housing stocks as flagged

Cash flow NZ$m	Dec 2021 6 months	Dec 2022 6 months
EBIT before significant items	332	360
Depreciation and amortisation	172	180
Lease principal payments and lease interest paid	(119)	(127)
Provisions and other	(12)	(19)
Trading cash flow before working capital movements	**373**	**394**
Working capital movements excl. legacy projects	(296)	(457)
Trading cash flow excluding legacy & significant items	**77**	**(63)**
Legacy projects cash flow	35	(28)
Significant items cash flow	(25)	(16)
Trading cash flow	**87**	**(107)**
Add: lease principal payments	89	97
Less: cash tax paid	-	(154)
Less: funding costs paid	(19)	(39)
Cash flows from operating activities	**157**	**(203)**

HY23 cash flows

- **Materials & distribution divisions**: good 1H23 trading cash flows of $206m, continue to expect broadly stable working capital in FY23, then unwind in FY24
- **Resi & Devt**: 1H23 rebuild of land and housing stocks following significant drawdown in FY21-FY22; expect material cash inflow in 2H23, pragmatically pausing some developments. Market valuation of land at Dec-22 remains c.$350m higher than book value
- **Construction** legacy cash outflow primarily from NZICC
- Cash tax payments recommenced in NZ with $154m compared to nil in HY22; total FY23 cash tax payments of c.$190m expected
- Strong 2H23 cash flow expected from higher earnings and inventory unwind in materials, distribution & Resi & Devt

Working Capital

Land & housing stocks rebuild in Resi & Devt, plus reduction in creditor balances in materials & distribution

Cash flow working capital movements NZ$m	Dec 2021 6 months	Dec 2022 6 months
Residential and Development	(107)	(270)
Construction excluding legacy projects	(24)	(10)
Materials and Distribution Divisions		
• Debtors	35	75
• Inventories	(122)	(58)
• Creditors	(78)	(194)
Cash flow working capital movements excl. legacy	**(296)**	**(457)**

HY23 working capital

- **Resi & Devt** rebuild of land stocks (c.$200m) and housing inventories (c.$100m) as flagged, expect unwind in 2H23 on higher house sales and pause in WIP build in some developments
- **Construction** unwind of some advance positions in South Pacific and Higgins
- **Materials & Distribution Divisions**
  - Solid debtor collections; debtor days slightly up 1.5 days to 40.7 days at 31 Dec 22; bad debt levels remain low
  - Seasonal inventory build in Building Products & Australia will unwind in 2H23; expect overall inventory levels in materials & distribution to hold broadly flat Jun-23 vs. Jun-22, before unwinding in FY24 – as flagged
  - Creditor balances were elevated through FY22 on resilience stock purchases; balances now returning to more normal levels; no change in underlying supplier credit terms

NZICC

Key program milestones being met but complexity of rebuild means costs expected to exceed insurance proceeds

- Highly complex rebuild of New Zealand International Convention Centre and Hobson Street Hotel project (NZICC) following fire in October 2019
- Good progress on site: all demolition work complete, steelwork remediation well advanced, roof installation commenced, first two car park levels completed and handed over to the client, procurement well-advanced, key program milestones being met.
- Expected completion early 2025 or better – in line with prior guidance
- Additional $150m provision for costs to complete project (as announced on 16 Dec 2022) means costs now expected to exceed Contract Works and Third Party Liability Insurance policy limits
  - Significant complexity of remediation approach and rebuild environment, esp. due to remediation of water & mould damage to steel coatings
  - Greater number of project resources being required to complete rebuild works
  - Inflation of labour, trade & material costs
  - Insurances that were put in place on the project had not envisaged the rebuild complexity, cost escalations, and earlier COVID delays
- Cashflow impact of additional provision is expected to be c.20% 2H23, c.50% FY24, c.30% FY25. Provision is tax deductible.

Capex

Base capex well-controlled, above base capex investments well underway to deliver growth opportunities

Capex and Investments NZ$m	Dec 2021 6 months	Dec 2022 6 months
Base capex	80	96
Above Base: growth capex	-	96
Above Base: WWB new plant	63	57
Less: Proceeds on disposal of PPE	*(1)*	*(5)*
Net Capex	**142**	**244**
TUMU building supply centres in Distribution[1]	-	50
Water Filters Australia in Oliveri business Australia	-	6
Other	12	1
Investments	**12**	**57**
Total Capex and Investments	**154**	**301**

Investment Focus

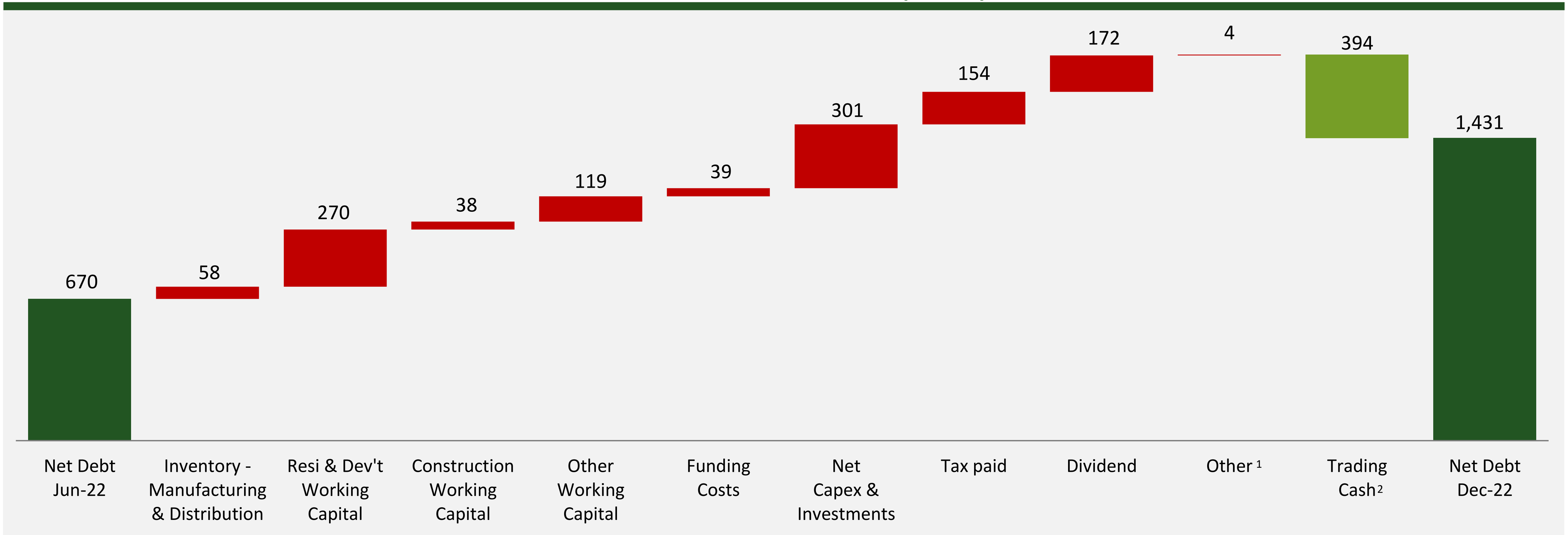
- **Base capex** includes maintenance spend, manufacturing automation improvements, ERP improvements, data & analytics and customer-facing eCommerce tools; and focus on cost & carbon emissions reduction; well-controlled at c.$200-$250m p.a.
- **'Above Base' capex and investments – 1H23**
  - Growth – 1H23 investments focused on Laminex wood panels, Steel distribution, Frame & Truss, plus Tumu acquisition
  - WWB plant – project on time & budget, commissioning 2H23
- **'Above Base' capex and investments – looking ahead**
  - Growth – total c $700m FY23-26 at ≥15% ROFE in logical adjacencies. Of this investment, expect c.$400m in FY23 – incl. Tumu and Waipapa which deliver c. $25m run-rate EBIT in FY24. Remaining projects contributing EBIT from FY25-FY26
  - WWB plant – remaining capex c. $70m in 2H23

1. Additional $10m Working Capital adjustment was paid in Jan-23

Net debt

Investment initiatives underway, tax payments and returns to shareholders prominent features of HY23

Net Debt: Jun 22 to Dec 22 (NZ$m)

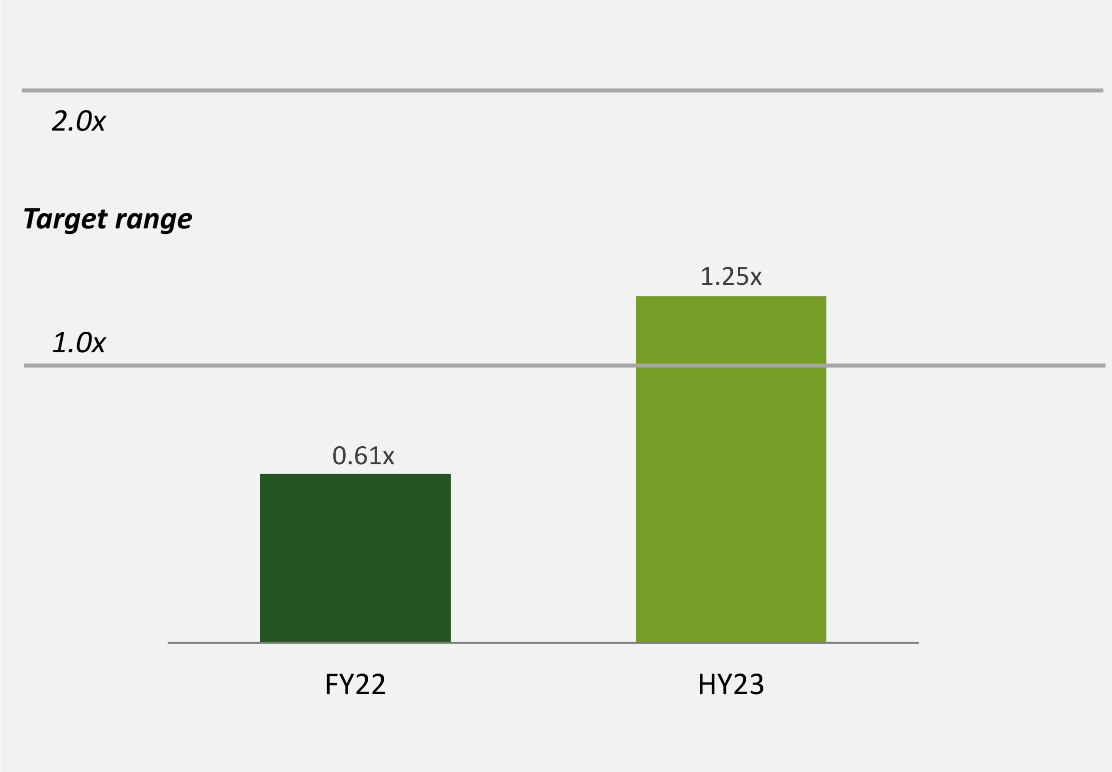


1. Other includes: Significant items trading cash $16m, Treasury shares $11m, FX/Hedging adjustment $(8m) & Net minority contribution $(15m)
2. Trading cash flow before working capital movements

Leverage

Increase to lower end of target range as flagged, balance sheet continues to be in a strong position

Leverage (Net Debt / EBITDA[1])



Leverage and Balance Sheet

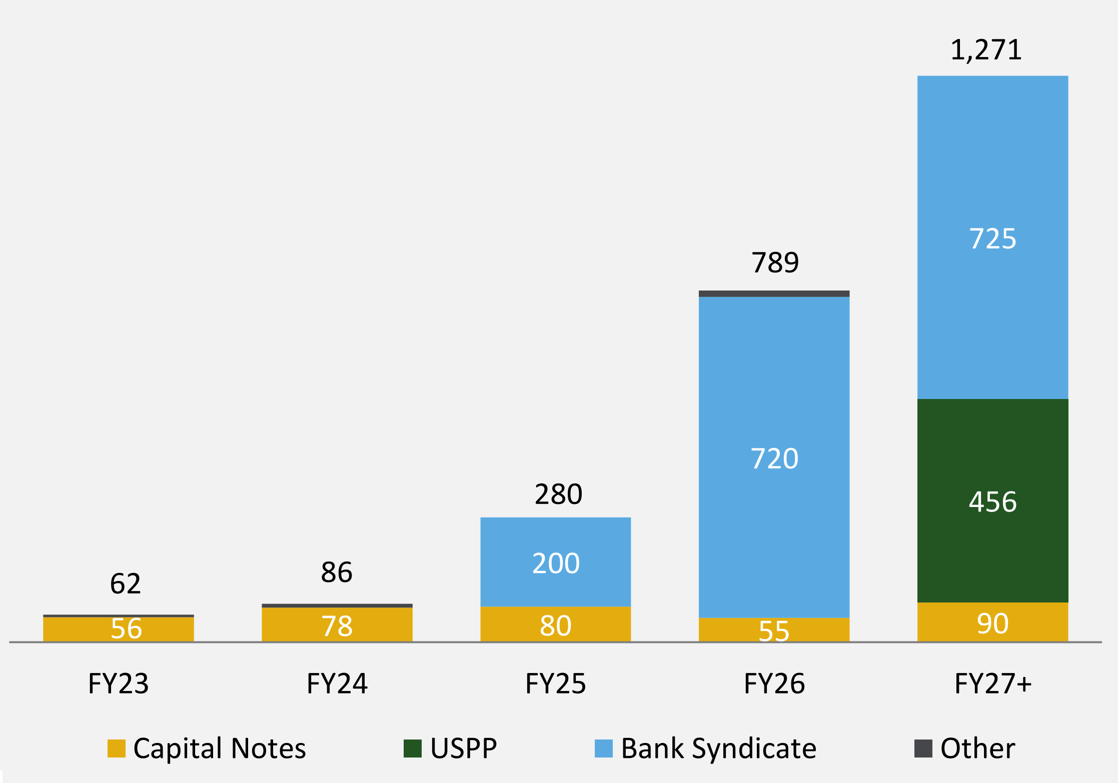
- Group leverage higher at HY23 due to cash flows phasing, esp. Resi & Devt – as flagged
- Continue to expect leverage at Jun-23 to be toward the lower end of the Group's 1.0x-2.0x range
- Strong balance sheet supports ongoing 'Above Base' growth projects – well positioned to continue operating in target 1x-2x range through any economic cycle

1. Before significant items

Funding

Group is well-funded with long-dated debt maturity and strong liquidity of $1.1b

Debt maturity profile ($m)



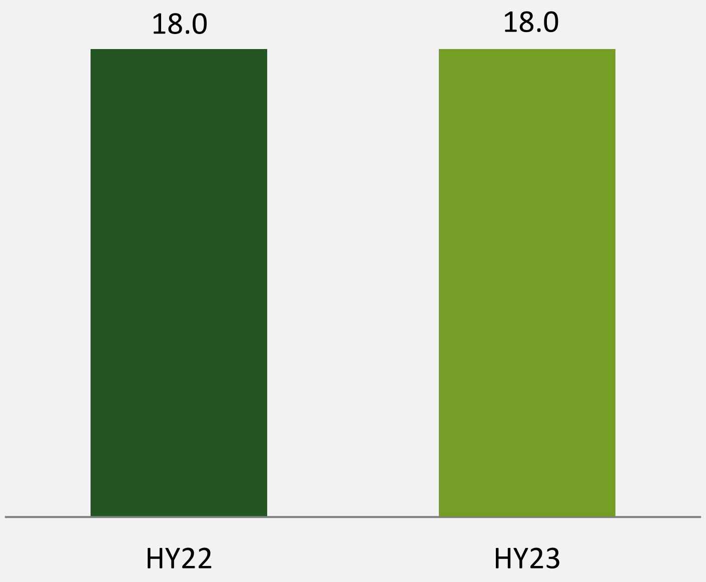
Debt facilities and drawings NZ$m	Facilities 31 Dec 22	Drawings 31 Dec 22
Syndicate	1,645	860
USPP	456	456
Capital Notes	359	359
Other	28	28
Total	**2,488**	**1,703**

- Undrawn credit lines of $785m and cash on hand of $272m as at 31 Dec 22; total liquidity of $1.1b
- Syndicate facility of AUD$674.5m (NZ$720m) raised in Oct 22 lifting liquidity to support investment
- Group gearing (after hedging) 28.3% at 31 Dec 22, compared with 15.1% at 30 Jun 22
- Average maturity 3.4 years; average interest rate on debt is 5.2%

Dividend

Interim dividend of 18.0 cents per share in line with prior period

Interim dividend (cps)



Dividend

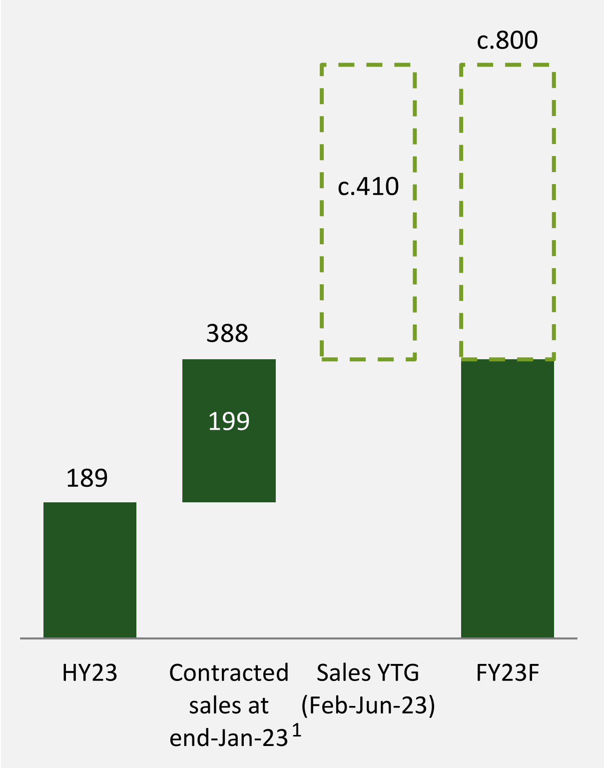
- 69% pay-out ratio[1]
- Dividend fully imputed for NZ taxation purposes
- Interim dividend to be paid on 6 April 2023[2]
- Well-positioned for sustainable pay-out in the range of 50% to 75% of net earnings before significant items

1. Pay-out ratio is expressed as a percentage of Net Earnings excluding Significant Items. policy to pay dividends in the range of 50% to 75% of net earnings before significant items and having regard to available cash flow.
2. Dividend Reinvestment Plan will not be operative for this dividend

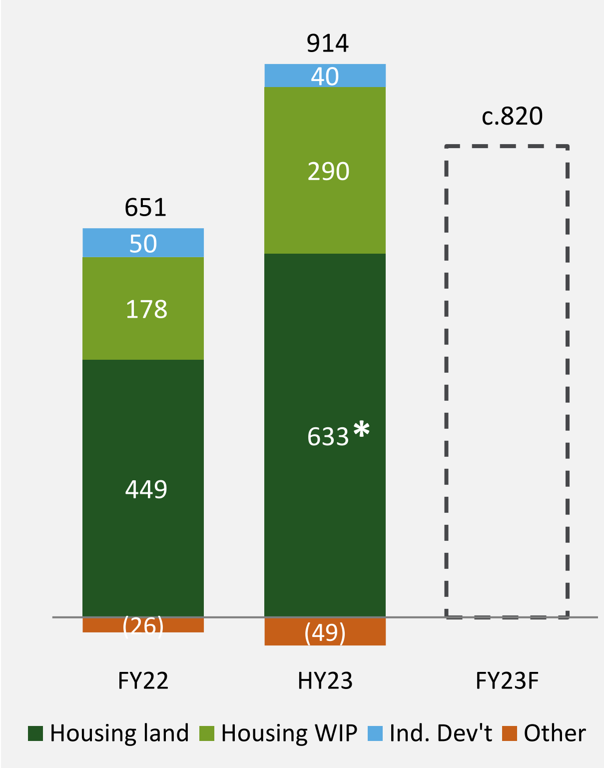
FY23 outlook – Residential & Development

Targeting c.800 p.a. sales in FY23 and into FY24, tight management of funds

Unit Sales



Funds employed ($m)



***Market value of land[2]: c.$980m**

- Resi & Devt has c.388 sales agreements in place at end Jan-23. Targeting total FY23 sales of c.800 units. Top end of Group's $800-$855m EBIT range assumes 800 units sold in FY23
- Tight focus on managing land and housing inventories: work on certain developments has paused or slowed, limited new land agreements entered into. Expect material cash inflow in 2H23
- The business remains well-placed to perform in a softer environment: houses priced at the lower/mid end of the market; independent valuation of land on balance sheet at Dec-22 is c.$350m higher than book value
- Total land pipeline[3] of c.5,400 lots at HY23: c.3,200 on balance sheet, c.2,200 under contract
- House sales of c.800 p.a. likely to be the run-rate through FY24; growth above these levels will only be pursued when market conditions are supportive

1. Total amount of units take to profit plus units with conditional and unconditional sales contracts written on them
2. Market value of land on balance sheet is as at Dec 2022 and includes cost to develop land to serviced lots, where applicable
3. Land pipeline = lots under our control, consist of a mix of raw land, land under development and finished sections

FY23 outlook – Group

FY23 EBIT[1] now forecast to be $800m to $855m; underlying performance remains strong, but offset by a very wet Jan / Feb in NZ; market activity and house sales in the balance of FY23 expected to be the key driver of result

- Now forecasting FY23 EBIT[1] of $800m to $855m. While underlying performance remains strong, Jan-Feb trading has been impacted by adverse weather events in the upper North Island of NZ
- We continue to target the top end of the FY EBIT range:
  - Materials & distribution: underlying business performance and margins tracking well; targeting c.$700m FY23 EBIT[1], assumes volumes in balance of FY23 are broadly in line with 1H23
  - Residential and Development: targeting c.800 unit sales (of which c.390 contracted YTD) and targeting FY23 EBIT[1] c.$185m
  - Construction: earnings impacted by weather related project delays, targeting FY23 EBIT[1] c.$35m
  - Corporate costs c.$70m in FY23F
- FY23 final outcome is dependent principally on 2H market volumes in materials & distribution and Residential house sales
- Strong 2H cash flows expected due to timing of earnings and unwind of inventories in Resi & Devt. and materials & distribution

1. Before significant items

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Longer term outlook

Well positioned for softer FY24 and growth beyond that

- FY23F EBIT[1] $800m to $855m
- Positioning cost base and working capital for softer FY24, focused on holding margins close to FY23 current levels
  - Current expectation is for FY24 materials & distribution volumes to be c.10-15% below 1H23
  - Strong control of overhead costs and pricing, will quickly flex variable costs to market activity
  - Active management of Residential and Development working capital, house sales ambition in line with market reality
  - Construction underpinned by solid infrastructure pipeline
- Growth investments maturing and will remain a key area of focus; c.$25m run-rate EBIT in FY24, profit contribution growing through FY25-26, full earnings run-rate FY27

1. Before significant items

Our strategy positions us well to drive shareholder value in the short- and long-term

01

Significant near-term profit growth

FY23 EBIT target $800m to $855m

02

Well-positioned for a softer FY24

Strong balance sheet

Good cost control and price recovery

Targeting margins in softer FY24, close to FY23 levels

03

Established pipeline of growth investments – primarily organic

c.$700m growth capex over FY23-26 Returns ≥15% ROFE's

04

Retain benefit of underlying margin gains and drive further improvement

Targeting 9-10% sustainable through-the-cycle margins

05

Strong enduring financial position and returns

Leverage target 1x-2x range

Flex Resi funds to market reality

ROFE ≥ 15%

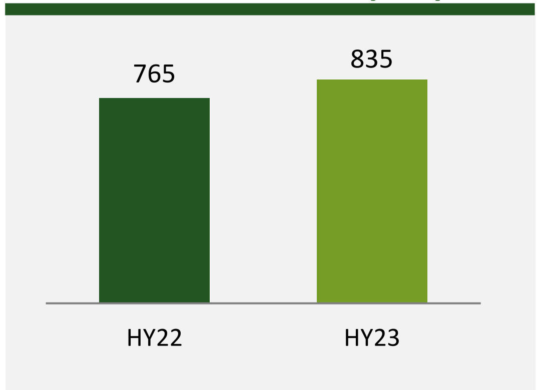
Note: EBIT and margin are before significant items

Appendix

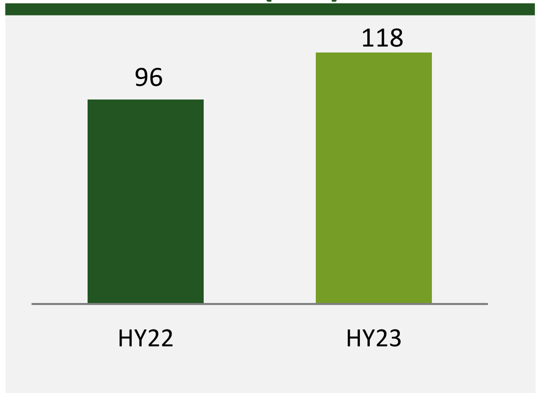
Building Products

HY23 results: delivering on customer needs through customer service & operational excellence

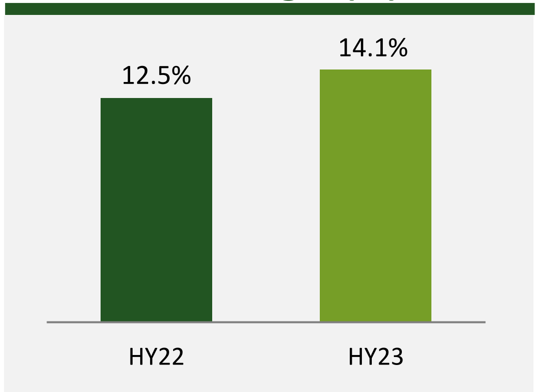
Gross Revenue ($m)



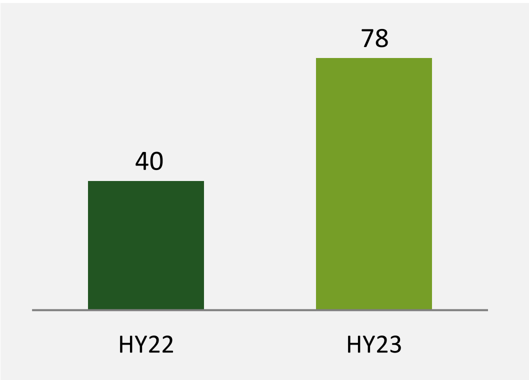
EBIT ($m)[1]



EBIT Margin (%)[1]



Trading cash flow ($m)



HY23 trading performance

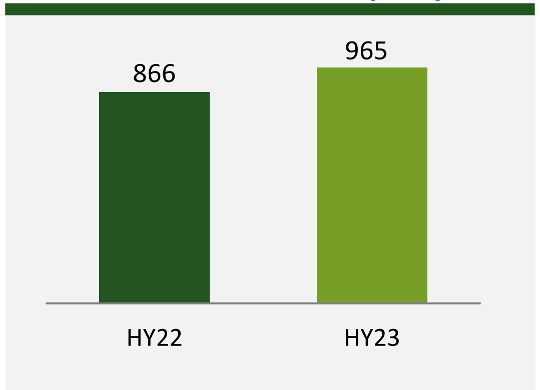
- Revenue up 9%: uplift across Products and Steel reflecting continuing high market demand with strong product positioning and digital customer service enhancement; lower Pipes from delayed civil projects from wet weather and market destocking
- EBIT up 23%: sustained buoyant demand in the residential & commercial sectors benefited finishing trade businesses (most manufacturing ops close to maximum capacity), but softer civil and infrastructure sector demand in Pipes & Steel businesses (increased freight & storage costs, partly offset by improved product mix & price).
- EBIT margin 14.1%: higher volumes driving strong operating leverage; delivering on effective pricing governance & cost management
- Strong trading cash flows with stabilised stock levels & solid debtor collection in Steel

1. Before significant items

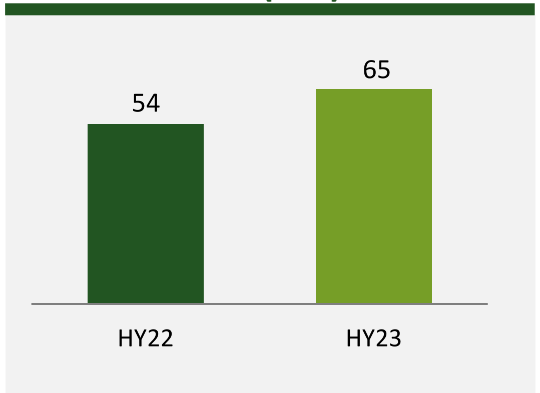
Distribution

HY23 results: sustained volumes delivered against a backdrop of strong market activity

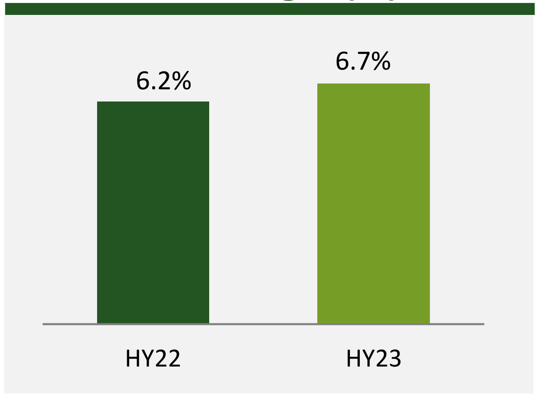
Gross Revenue ($m)



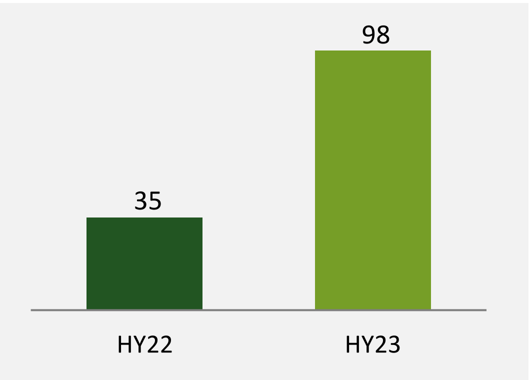
EBIT ($m)[1]



EBIT Margin (%)[1]



Trading cash flow ($m)



HY23 trading performance

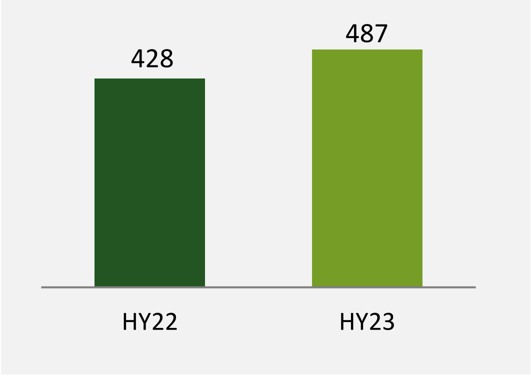
- Revenue up 11%: with 2H22 momentum continuing into 1H23; supply / demand returning to equilibrium; ongoing PlaceMakers Auckland, SI & Northland regions growth and Mico growth across all key product categories in upper NI and lower SI
- EBIT up 20% at an EBIT margin of 6.7%, delivered through operating leverage of higher sales over a largely fixed cost base and ongoing gross margin improvement focus; effective pricing disciplines offsetting cost inflation
- Trading cash flow of $98m: solid cash collection with customer liquidity remaining robust; safety stock inventory lowered as supply chain disruptions eased
- TUMU stores & F&T facility included from Sep-22 ($4m EBIT); new PlaceMakers stores in Dunedin & Winton, new Mico branch in Mangawhai

1. Before significant items

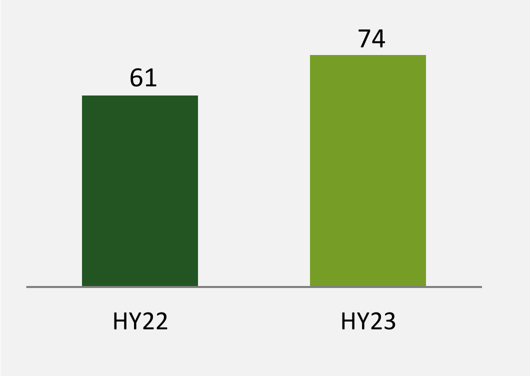
Concrete

HY23 results: margin improvement through innovation & sustainability solutions and cost initiatives

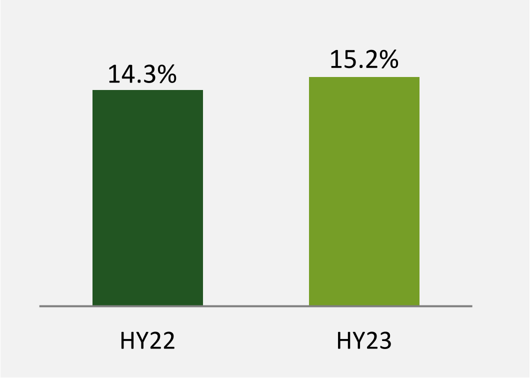
Gross Revenue ($m)



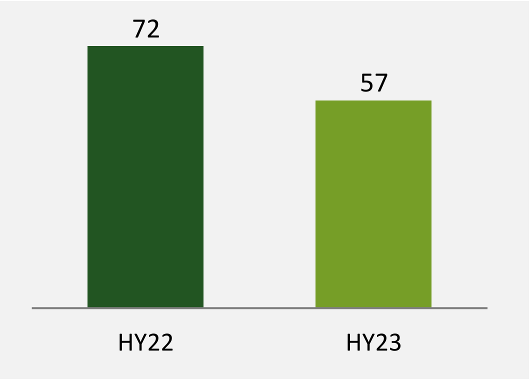
EBIT ($m)[1]



EBIT Margin (%)[1]



Trading cash flow ($m)



HY23 trading performance

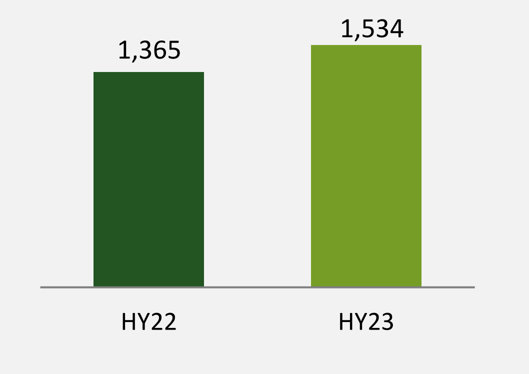
- Revenue up 14%: strong top-line performance across all key product segments with continued robust market demand and good pricing disciplines; launch of Golden Bay EcoSure® and Firth EcoMix®, NZ's first low-carbon binder and concrete offerings at scale supporting the division's decarbonisation commitment
- EBIT up 21%: continued price and cost discipline in a high inflationary environment
- EBIT margin of 15.2%: sustained programme of manufacturing & supply chain initiatives (eg alternative fuels & raw material capability) delivering continued margin improvement; overheads well-controlled
- Trading cash flow lower due to key raw material purchase timing, inventory rebuild and costs from a quarry exit

1. Before significant items

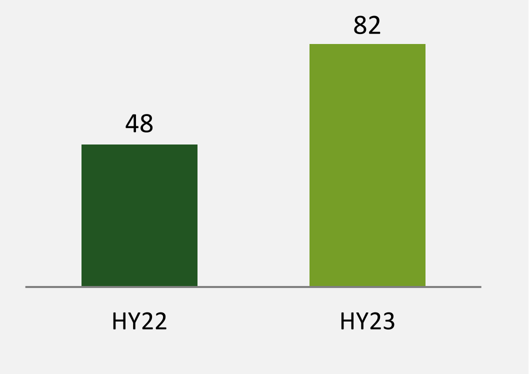
Australia

HY23 results: improved pricing disciplines, manufacturing optimisation & product categories

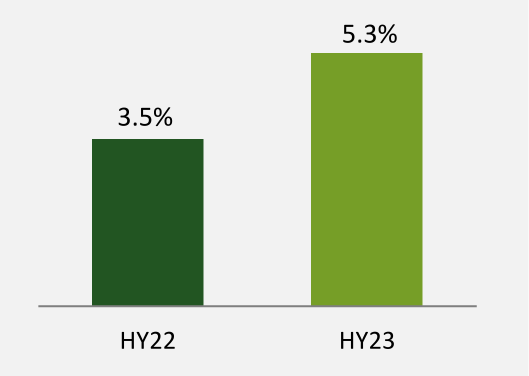
Gross Revenue ($m)[1]



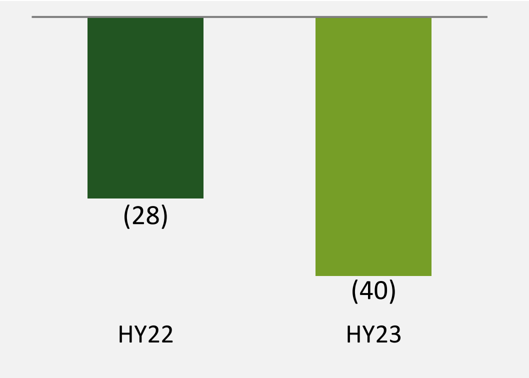
EBIT ($m)[1,2]



EBIT Margin (%)[1,2]



Trading cash flow ($m)[1]



HY23 trading performance

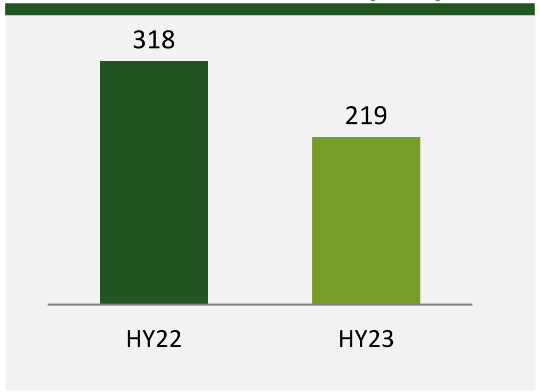
- Revenue up 12% reflecting robust market activity, esp in residential sector; albeit weather events caused demand & supply disruption
- EBIT up 71%, continued margin improvement to 5.3%
  - Building Products up 94%: growth in Laminex core & market leading decorative categories; FI pricing activities, new products, lower manufacturing & distribution costs; Iplex leading offer in core markets with increased market activity
  - Solid Distribution: ongoing SME plumber segment growth, own brand strategy & digital sales; Oliveri share gains
  - Steel up 20%, strong pricing disciplines & share growth in margin accretive sheds & doors segment but supply remained constrained
- Trading cash flows reflected targeted inventory investments in supply chain constrained environment with continued tight debtor controls

1. Excluding Rocla in HY22, all commentary excludes Rocla business divested in the prior year
2. Before significant items

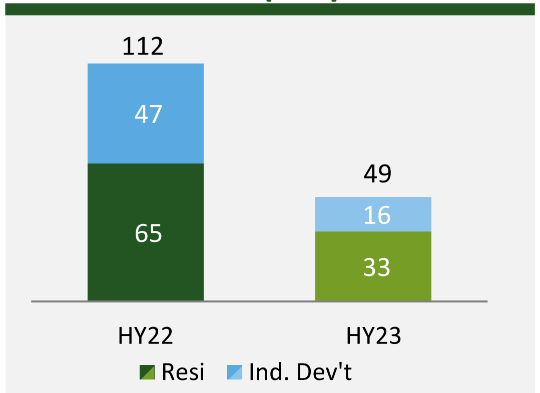
Residential and Development

HY23 results: cooling house sales after a strong 2 years of growth; well positioned for softening market

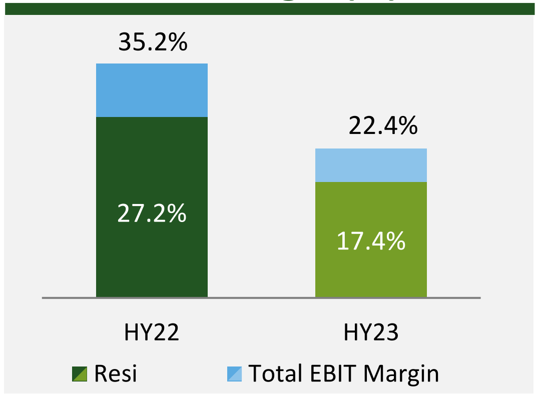
Gross Revenue ($m)



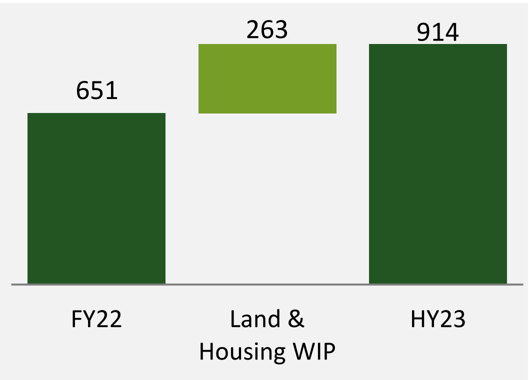
EBIT ($m)[1]



EBIT Margin (%)[1]



Funds employed ($m)[2]



HY23 trading performance

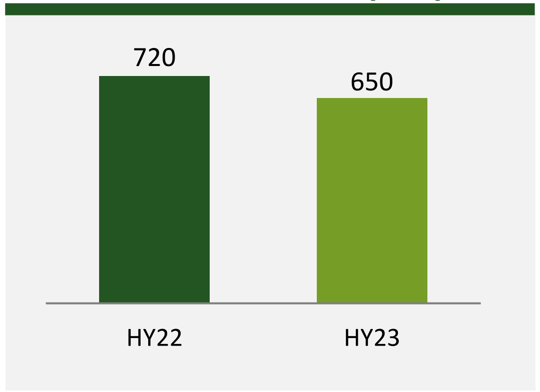
- Revenue 31% lower with lower sales and lower Industrial Development as expected. In Residential: 189 unit sales (vs. 278 in HY22), in slowing housing market from elevated levels; average unit price returning to pre-COVID historic levels
- Residential EBIT $33m; includes Vivid Living, Apartments & Clever Core combined loss of $5m impacting margin as businesses build product for stronger margin realisation
- Industrial Development EBIT $16m: Chch Winstone Aggregates quarry, Napier site & Mackay Rocla sites sold
- Funds employed increase reflects settlement of $200m land and planned higher land & housing WIP
- Land pipeline c.5,400 lots (c.3,200 residential lots & two rural properties on balance sheet, c.1,700 units under unconditional contracts & 460 units under conditional contracts)

1. Before significant items
2. HY23 $914m funds balance: $633m housing land (at cost), $290m housing WIP, $40m industrial development land, $(49m) other

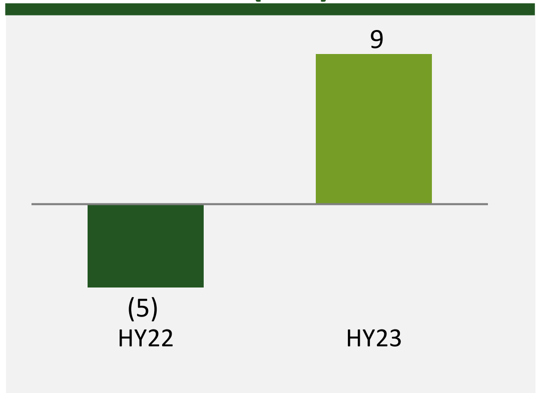
Construction

HY23 results: more stable operating conditions

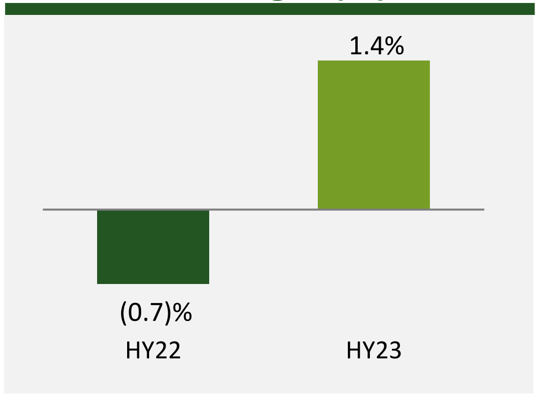
Gross Revenue ($m)



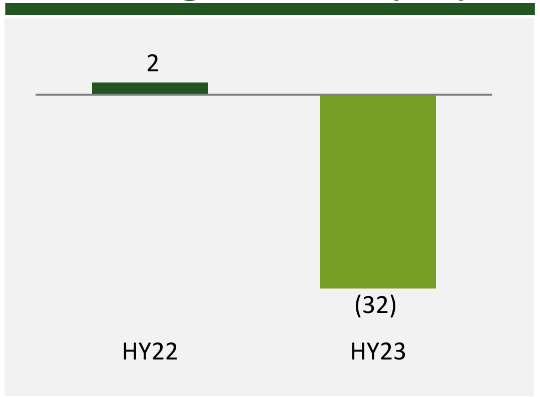
EBIT ($m)[1,2]



EBIT Margin (%)[1,2]



Trading cash flow ($m)



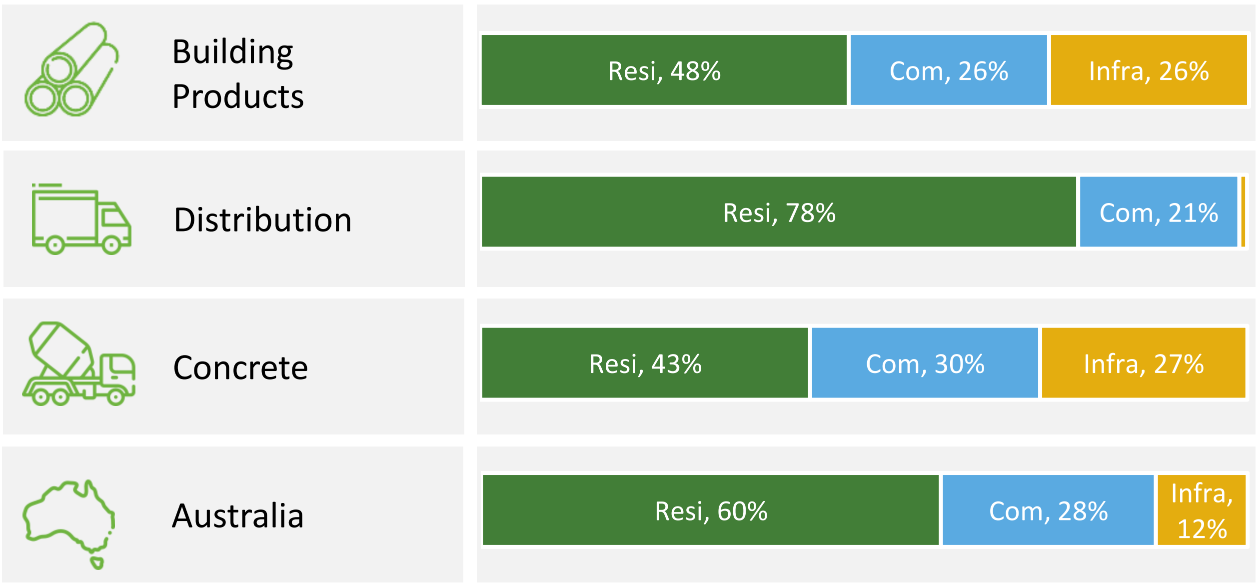
HY23 trading performance

- Revenue 10% lower: reduced volume of building works, shifting to infrastructure services strategy running through as expected
- EBIT $9m: good progress to more stable operating conditions but constrained labour market, materials inflation & slippage of client work programmes; persistent wet weather in winter & spring seasons
- Legacy projects:
  - Hamilton City Edge & Peka Peka to Ōtaki motorway projects open to traffic
  - Further $150m cost provision for additional costs on NZICC
- Trading cash outflow of $32m: impacted by reinstatement work on the NZICC
- Balanced future orderbook of lower risk, smaller self-perform work in Higgins & BPC with roading, water and bus projects

1. Before significant items
2. Before elimination of intra-group margin on the construction of WWB plant at Tauriko of $4m in HY23 and $5m in HY22

Divisional revenue exposure and FB revenue by market

Divisional Revenue Exposure by Sector



Total FB Revenue by Market (%)