

# 2023 Annual Shareholders' Meeting

27 October 2023

Fletcher Building Limited  
Annual Shareholders' Meeting 2023



# Bruce Hassall

## Chair

Fletcher Building Limited  
Annual Shareholders' Meeting 2023



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# Directors

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**Bruce Hassall, Chair**



**Martin Brydon**



**Barbara Chapman**



**Peter Crowley**



**Sandra Dodds**



**Rob McDonald**



**Doug McKay**



**Cathy Quinn**



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# Meeting agenda

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**Chair's address**

**Chief Executive Officer's address**

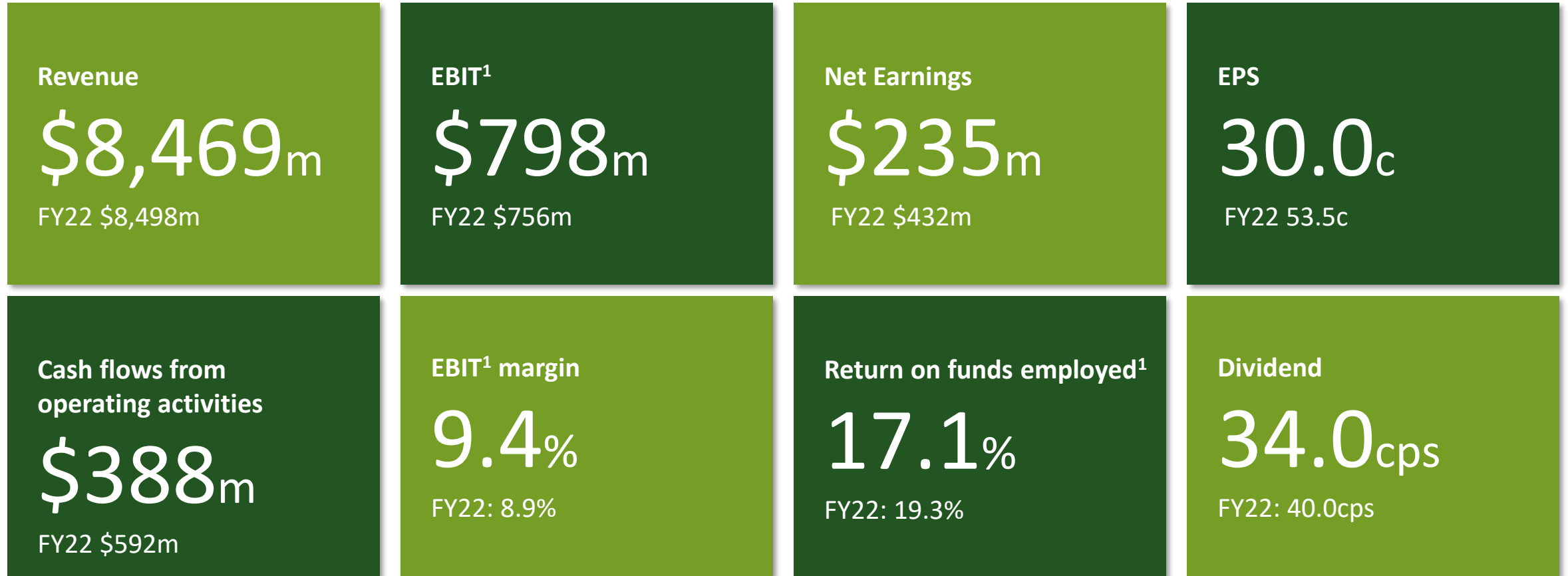
**Voting on Resolutions**

**General Q&A**

**Refreshments**



## FY23 key financial results





# FY23 key non-financial results



1. TRIFR = Total no. of recorded injuries per million hours worked. Does not include Restricted Work Injuries. Excludes Rocla, Tumu & Waipapa  
2. Carbon Emissions are '000 Tonnes Combined Scope 1 and Scope 2 emissions for Group; Carbon Emissions Intensity = FBU CO<sub>2</sub> Tonnes for every \$1m of revenue. ISO 14064-1  
3. Net Promoter Score (NPS) measures how satisfied our customers are with our business (excludes the Group JVs and associates)



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# WA plumbing

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1

**SUPPORT  
CUSTOMERS &  
HOMEOWNERS**



2

**ESTABLISHING  
CAUSATION**



3

**INDUSTRY  
SOLUTION**

**BOARD COMMITTEE IN PLACE TO GOVERN WA PLUMBING**



# Where did we start from in 2018?

## 2018 Position – Financial & Operational

**NZ underlying business:** reasonable margins but in decline, renewed focus & investment required

**International:** multiple geographies, capital hungry, exit required

**Australia:** low and falling margins, declining competitiveness, extensive turnaround required

**Construction:** c.80 loss-making projects, putting FCC in loss. Total business reset required

## 2018 Position – Non-Financial

Safety  
**Safety culture lacking**

Customer NPS<sup>1</sup>  
**33**

CO<sub>2</sub>  
**No reduction plans**

Employee Engagement  
eNPS  
**24**

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## What has the Board's approach been?

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1

Stabilise the Company, sold International, focus on NZ & AU

2

Clean up legacy issues

3

Reposition the go-forward business for performance and growth



# Clean up legacy issues – Construction projects

## Where we started

### FCC & legacy projects have been a major undertaking

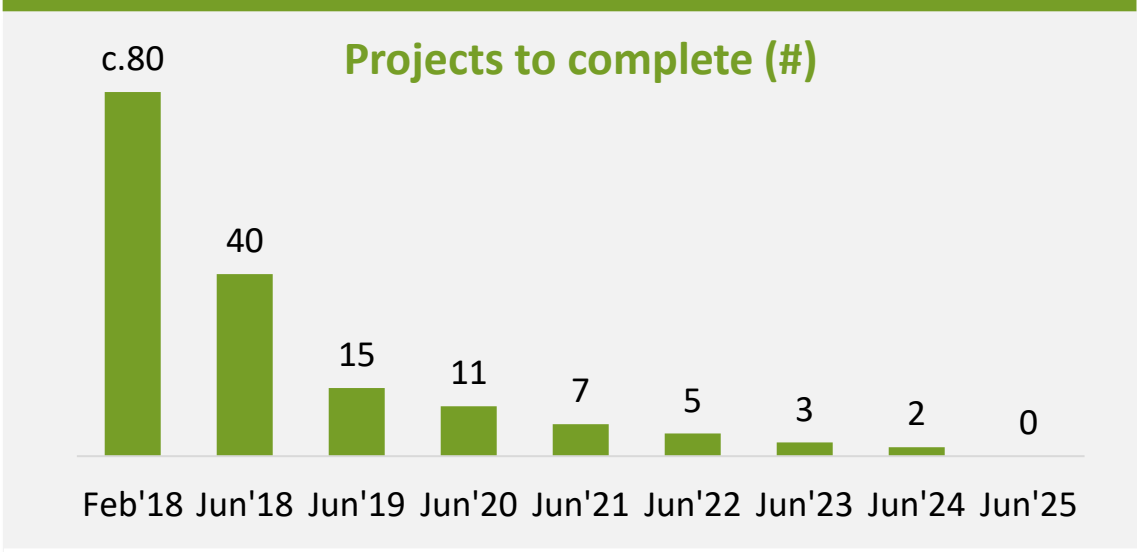
#### Legacy projects

- c.80 projects, mainly in vertical Buildings business
- Including 8 highly complex projects >\$250m each

#### FCC business

- Highly exposed to riskier, lower-margin, fixed-priced projects
- Systems and skills less well-suited
- Bid approach, risk framework not sustainable
- Low morale

## We are almost done

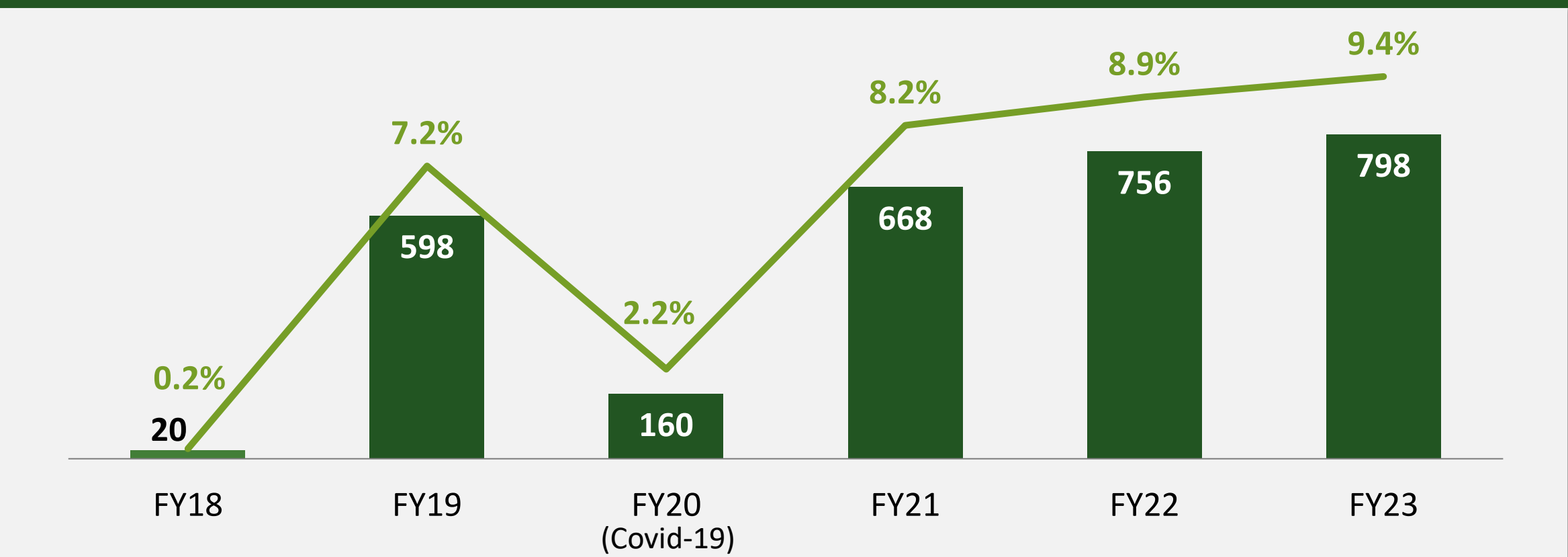


- Physical works on remaining 3 projects complete end of CY24
- Need to secure P2W claims & NZICC insurance recoveries
- Board highly focused on remaining risks, incl. potential claims



# Reposition the go forward business for performance and growth

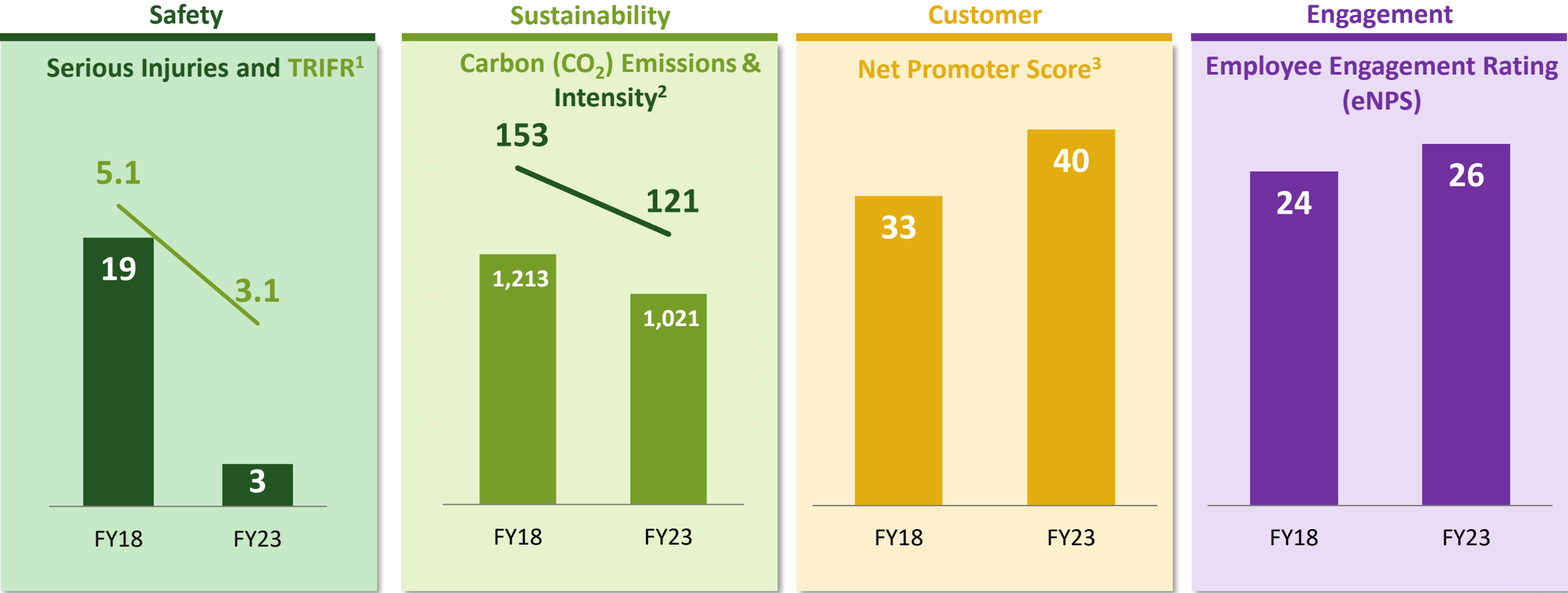
Group EBIT (\$m) and EBIT Margin (%)



*Note: EBIT and EBIT Margin exclude significant items; FY18 and FY19 are proforma numbers adjusted for discontinued operations and IFRS16; FY20 was significantly impacted by COVID lockdowns*



# Reposition the go forward business for performance and growth



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 2. Carbon Emissions are '000 Tonnes Combined Scope 1 and Scope 2 emissions for Group; Carbon Emissions Intensity = FBU CO<sub>2</sub> Tonnes for every \$1m of revenue. ISO 14064-1; FY18 baseline has been adjusted to account for the divestment of Rocla and the acquisition of Tumu  
 3. Net Promoter Score (NPS) measures how satisfied our customers are with our business (excludes the Group JVs and associates)



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## Where are we now?

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1

Stable foundation, consistent strategy

2

3 legacy construction projects to complete, strong focus on resolving WA plumbing – governance of these risks are a priority for the Board

3

Significant operational gains, well-positioned for medium-term performance & growth



# Ross Taylor

## Chief Executive Officer





# FY23 - continuing operational improvements across the base business

## FY23 - Operating highlights

**EBIT<sup>1</sup> margin increased to 9.4%:** NZ businesses strong; Australia now at 6% margins

**Safety:** Culture transformation well advanced & showing up in significantly lower injury numbers

**Customer NPS<sup>2</sup> 40:** Service improvements, online offering & innovation recognised by customers

**Employees more engaged:** Engagement across top 300 leaders at an industry leading eNPS of 50

## All key metrics improved

EBIT<sup>1</sup> margin

9.4%

FY22: 8.9%

Customer NPS<sup>2</sup>

40

FY22: 36

TRIFR<sup>3</sup>

3.1

FY22: 3.4

Employee Engagement

26

FY22: 23

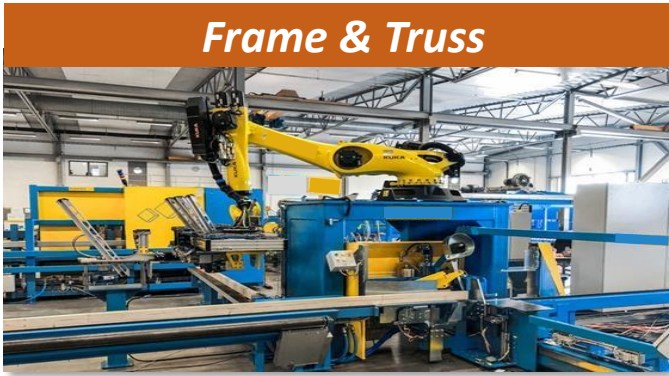
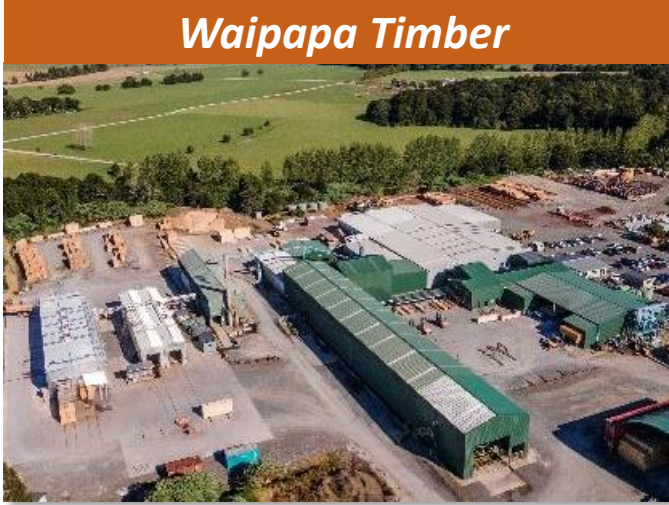
1. Before significant items

2. Net Promoter Score (NPS) measures how satisfied our customers are with our business (excludes the Group JVs and associates)




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We are investing for growth - having made \$800m+ of commitments which sets us up for \$120m+ of profit growth from FY27



**Circular economy**



**ALTERNATIVE FUELS**      **CONSTRUCTION & DEMOLITION WASTE**      **CLINKER SUBSTITUTION**





# Outlook on Construction legacy

## *Pūhoi to Warkworth motorway (P2W)*



- Opened in June 2023, some final works to be completed in FY24
- Project has lodged a number of claims (>\$200m, of which FB share is 50%). Successful resolution of these claims needed to hold current project provision – cash receipts assumed to flow in FY25

## *International Convention Centre (NZICC)*



- Carparks complete, hotel & ICC steel remediation complete by Dec 2023, overall project complete in late 2024
- Cost risk remains until project completion
- Securing insurance recoveries likely to require court based legal proceedings through FY25-26. May present net revenue upside, however timing disconnected from cost recognition
- Risk of “wash up” claims from SkyCity

## *Wellington International Airport*



- Working with Airport to agree a remediation solution to quality issues and settlement of counter claims



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# Outlook on WA plumbing issues

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Our approach remains:



- Our evidence points to **installation failures** as the reason leaks are occurring
- Our **testing** on the product is **well advanced**. Our tests to date continue to show that our **Pro-fit product is not defective**
- Looking to **work with WA regulators and industry to develop an industry solution** which is proportionate to the problem and evidence based
- **Good working relationship with all WA builders/plumbers** except BGC who have chosen not to work with Iplex or industry
- Scenarios built on our evidence to date suggest **industry cost to repair** affected Perth houses could be **c.A\$50m - \$100m over several years**



# FY24 trading update

## NZ MATERIALS & DISTRIBUTION

- Infra. & Comm. sectors remain robust; Resi sector volumes c.5% softer than prior guidance
- Market share stable, solid pricing being achieved in the materials businesses but strong price competition in the merchant distribution channel
- EBIT<sup>1</sup> tracking slightly behind expectations on softer Resi. sector & price pressure in Distribution

## AUSTRALIA

- Business trading well
- Expect 1H24 EBIT<sup>1</sup> broadly in line with 1H23 despite lower market

## RESIDENTIAL & DEVELOPMENT

- House sales tracking well, averaging 20-25 per week YTD
- House prices have stabilised, starting to trend up slightly
- Potential upside to 700-800 unit sales target in FY24 if sales momentum continues
- Continue to expect EBIT<sup>1</sup> margins slightly below 15% in FY24; EBIT<sup>1</sup> weighted to 2H24 due to profile of settlements

## CONSTRUCTION

- Solid order book, some slippage in ramp-up of civil projects
- EBIT<sup>1</sup> weighted to 2H24 due to normal seasonality



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# FY24 underlying trading cash flows robust & balance sheet well positioned

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- **Expect robust trading cash flows in FY24** (excl. legacy) as working capital managed tightly
- **Leverage (net debt / EBITDA) to move to upper end of 1x-2x range** due to FCC legacy cash flows and growth capex investments
- **Committed to remaining within our 1x-2x target leverage range;** provides significant headroom under banking agreements
- **Moody's credit rating in place at Baa2 (stable),** good alignment with FB capital structure settings
- **Strong debt facilities of \$2.8bn in place,** expect to retain healthy liquidity despite higher debt levels in FY24
- **Credit rating supports issuance into local bond markets** when conditions are supportive

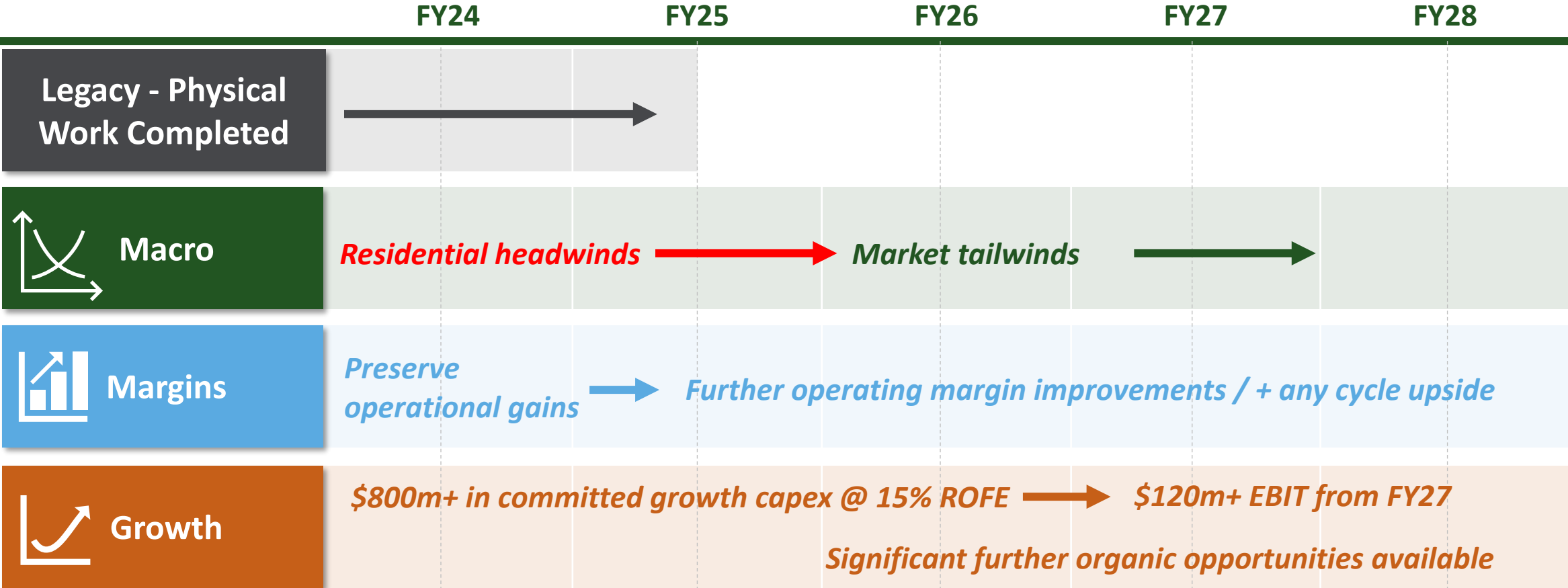
## FY24 Key Cash Flow Components

- Cash flow usual 2H seasonal weighting, however expect materially improved HY24 vs HY23 (excl. legacy impact)
- Legacy cash flow: c.\$375m in FY24, subject to risk on cost & timing of insurance recoveries; outflow weighted to 1H24 (c.\$275m)
- Funding costs: \$140m-\$150m (excludes ROU leases interest)
- Capex: base capex \$200m-\$250m; growth capex c.\$250m; final WWB plant capex c.\$30m





# Fletcher Building is well positioned for the medium term



# We have clear aspirations for our performance on non-financial measures



1. Net Promoter Score (NPS) measures how satisfied our customers are with our business (excludes the Group JVs and associates)  
2. From FY18 baseline. Carbon Emissions are '000 Tonnes Combined Scope 1 and Scope 2 emissions for Group  
3. Leadership includes all employees that are classified as frontline leaders, leaders of leaders, GMs & CEs



# Resolutions and Voting



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# Resolutions

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## → Ordinary Resolutions

→ Resolution 1 – Re-election of Bruce Hassall

→ Resolution 2 – Re-election of Barbara Chapman

→ Resolution 3 – Re-election of Martin Brydon

→ Resolution 4 – Election of Sandra Dodds

→ Resolution 5 – Auditor fees and expenses

→ Resolution 6 – Director's remuneration (pool) - Withdrawn





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