Fletcher Building Full Year Results to 30 June 2021

18 August 2021

Fletcher Building Limited

Important Information

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This presentation provides additional comment on the 2021 Financial Results dated 18 August 2021. As such, it should be read in conjunction with and subject to the explanations and views given in that document. Unless otherwise specified, all information is for the year ended 30 June 2021.

In certain sections of this presentation, Fletcher Building has chosen to present certain financial information exclusive of the impact of significant items. A number of non-GAAP financial measures are used in this presentation which are used by management to assess the performance of the business and have been derived from Fletcher Building's financial statements for the 12 months ended 30 June 2021. You should not consider any of these statements in isolation from, or as a substitute for the information provided in the Financial Statements for the 12 months ended 31 December 2021, which are available at www.fletcherbuilding.com.

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Agenda

1. Results Overview	Ross Taylor
2. Financial Results	Bevan McKenzie
3. Markets and Divisions	Ross Taylor
New Zealand Operations	
- Building Products	Hamish McBeath
- Distribution	Bruce McEwen
- Concrete	Nick Traber
- Residential and Development	Steve Evans
- Construction	Peter Reidy
Australia Operations	Dean Fradgley
4. Outlook	Ross Taylor

FY21 performance delivered

Delivering on strategy, strong financial performance and returns to shareholders

Performance And Growth

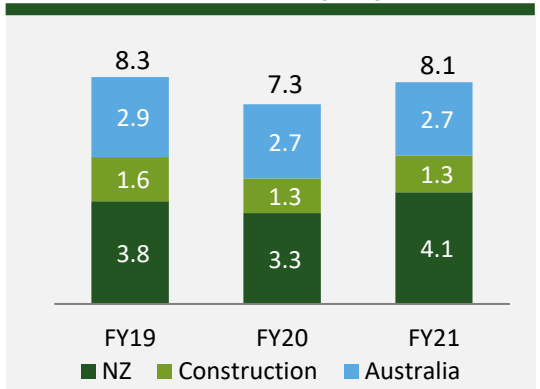
- Delivered strong financial performance and ongoing operational improvements in FY21:
  - EBIT before significant items $669m
  - EBIT Margin up 100bps from FY19[1] to 8.2%
  - Net earnings attributable to shareholders $305m
  - Strong cash generation and strong balance sheet
- Capital returns delivered in FY21:
  - Final Dividend of 18.0 cents per share, resulting in total FY21 dividends of 30.0 cents per share
  - On-market share buyback underway
- Solid outlook with ongoing momentum and positive market backdrop:
  - Forward indicators point to robust volumes
  - Sustainable base to drive ongoing performance improvements and growth

1. FY19 is a pro forma number adjusted for discontinued operations and IFRS16 to allow for like-for-like comparison

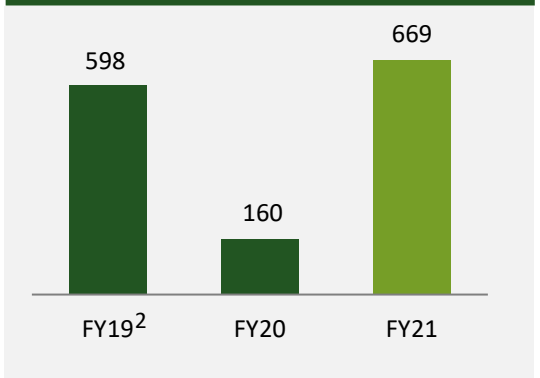
FY21 results at a glance

Strong growth in earnings, margins and returns

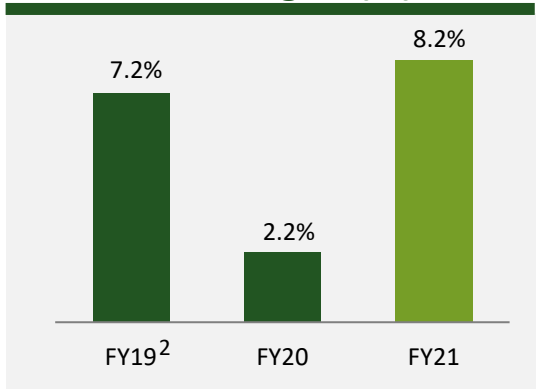
Revenue ($b)



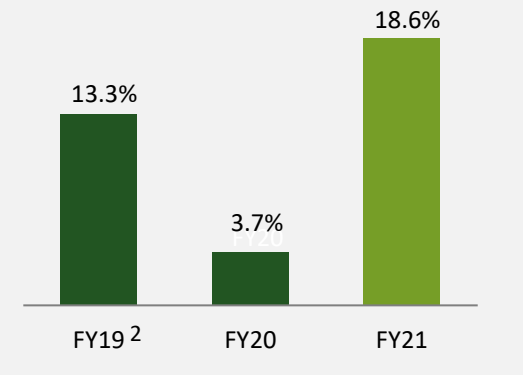
EBIT[1] ($m)



EBIT Margin[1] (%)



ROFE[1,3] ($m)



FY21 trading highlights

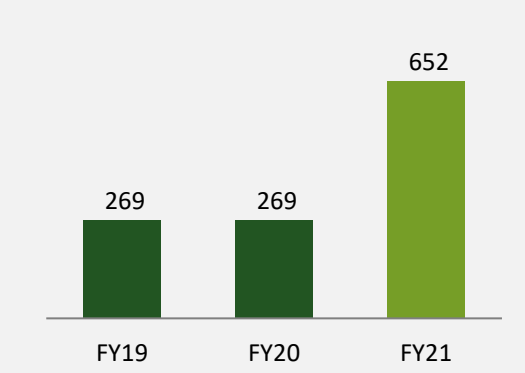
- Strong revenue in businesses exposed to NZ residential, partly offset by softer AU commercial and civil markets
- Earnings and margins up strongly: reflects impact of efficiency programmes and targeted investments in growth
- Businesses have effectively managed supply constraints and input cost pressures
- ROFE up strongly to 18.6%

1. Before significant items
2. FY19 is a pro forma number adjusted for discontinued operations and IFRS16 to allow for like-for-like comparison
3. 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 and have been derived from Fletcher Building Limited's financial statements for the period ended 30 June 2021. Details of significant items can be found in note 2.1 of the financial statements

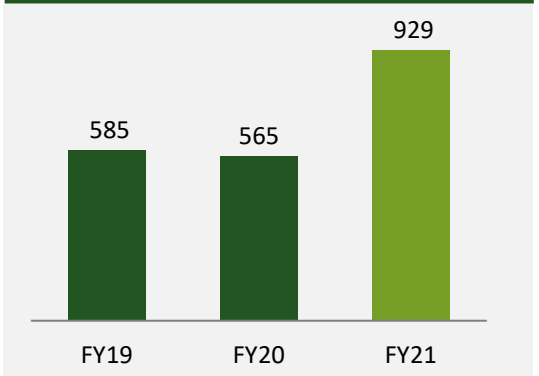
FY21 results at a glance

Strong cash flow and balance sheet, well-positioned for continued strategy execution

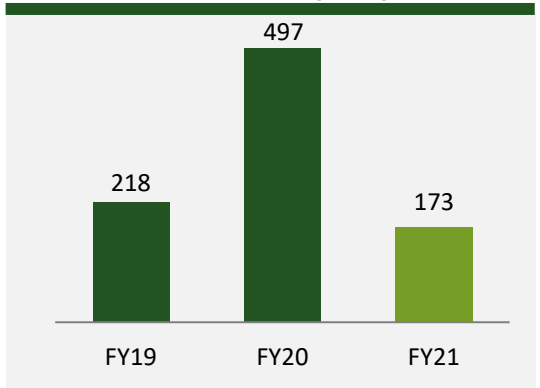
Free Cash Flow[1] ($m)



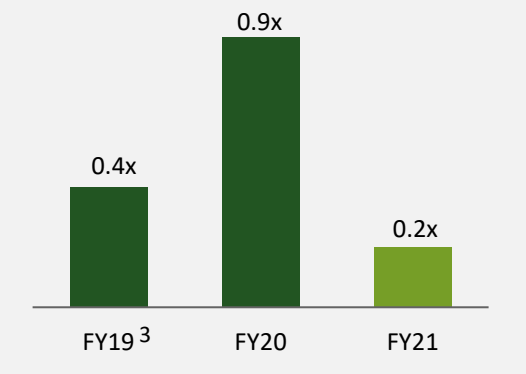
Trading Cash Flow[2] ($m)



Net Debt ($m)



Leverage (Net Debt/EBITDA)



FY21 trading highlights

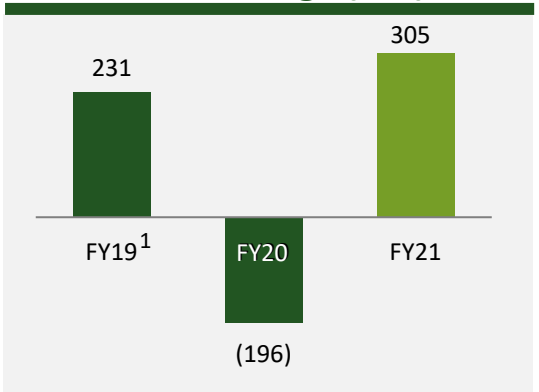
- Strong cash flows and net debt reduction: driven by earnings growth and tight management of working capital and capex
- Inventories in NZ Core and Residential housing businesses running lower than normal, rebuild expected in FY22
- Gross debt further reduced by $764m in FY21
- Balance sheet remains strong: $1.6bn liquidity, leverage 0.2x

1. Free cash flow from operations excluding legacy
2. Excluding legacy and significant items cash flows. FY19 includes discontinued operations which were divested during that year
3. Reported
Note: Measures before significant items are non-GAAP measures used by management to assess the performance of the business

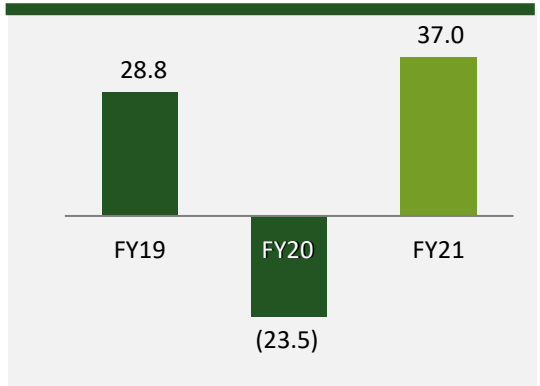
FY21 results at a glance

Final dividend of 18.0 cents per share declared, total dividend of 30.0 cents per share for FY21

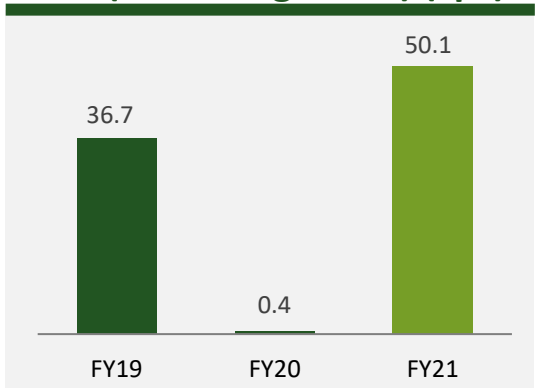
Net Earnings ($m)



EPS (cps)



EPS (before sig items) (cps)



Total FY21 dividends

30.0cps

FY20: nil

FY21 trading highlights

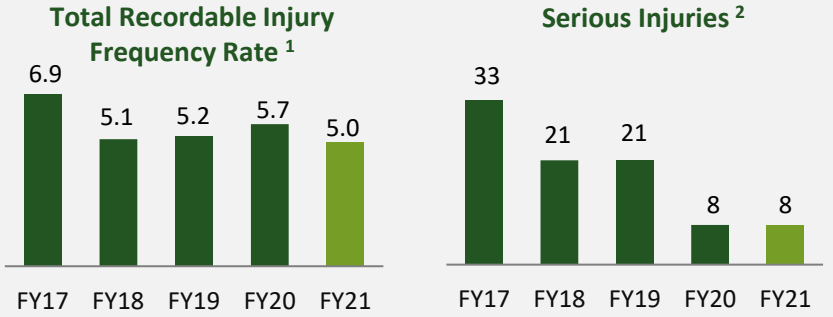
- Net Earnings up strongly; include Significant Items charges of $128m relating to final phase of restructuring costs and Rocla impairment (AUD$55m sale transacted in July)
- Final dividend of 18.0 cents per share, to be paid on 17 September 2021
- Combined with interim dividend of 12.0 cents per share, total FY21 dividend of 30.0 cents per share
- Up to $300m on market share buyback from June; 3.1m shares repurchased as at 30 June

1. FY19 is a pro forma number adjusted for discontinued operations and IFRS16 to allow for like-for-like comparison

Balanced Scorecard

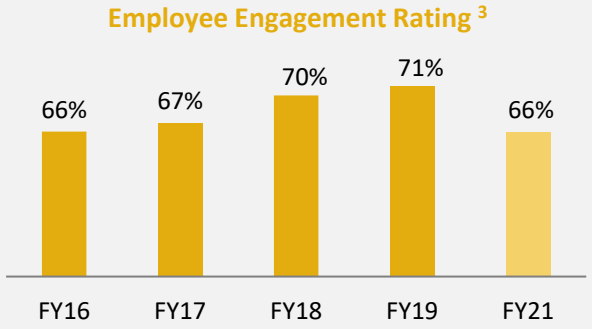
Progressing safety strategy and driving culture; improving employee engagement an important focus

Safety: Driving zero serious injuries



- Good progress on safety with 85% sites injury free; TRIFR down
- Delivered safety leadership training, risk containment and life saving rules in FY21
- Our safety goal is a future where *zero injuries everyday* is possible with zero Serious Injuries as our initial goal
- FY22 focus: developing front line, monitoring critical risks & controls

Engagement



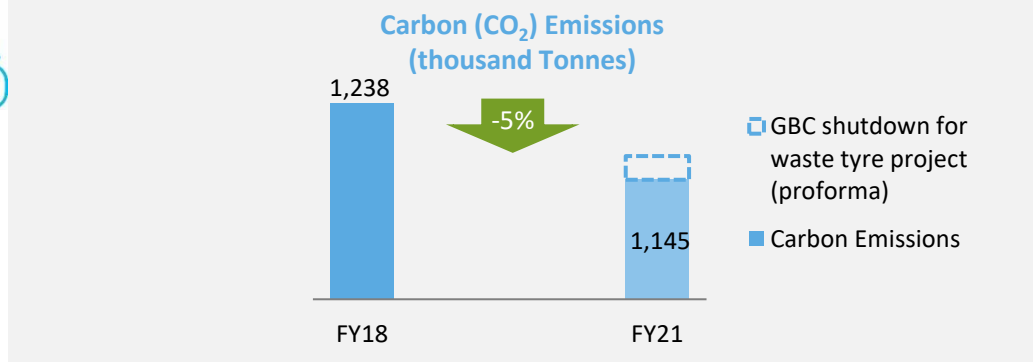
- The strain on our people as we navigated COVID-19 challenges and continued to push for operational performance was reflected in a drop in our overall engagement scores
- Pleasingly our safety "sub set" of scores improved materially
- Very focused on improving engagement levels from here

1. TRIFR = Total no. of recorded injuries per million hours worked. Does not include Restricted Work Injuries
2. Serious Injury include immediate treatment as an in-patient at hospital for more than 24 hours or immediate treatment for a serious injury or illness as defined by Safe Work Australia
3. The employee engagement survey did not take place in March 2020 because of the COVID-19 crisis when NZ was in 'Level 4' lockdown

Balanced Scorecard

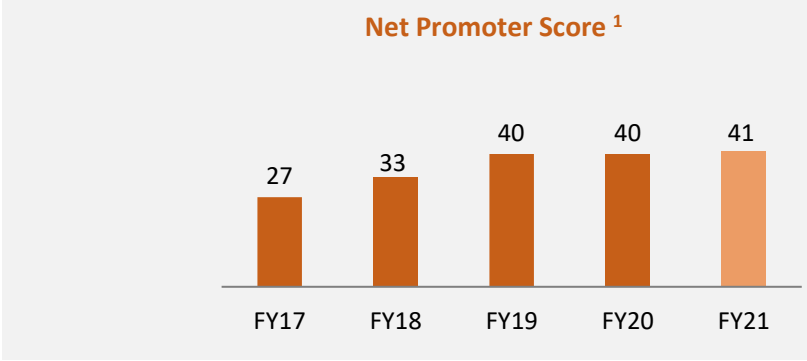
Verified science based target for carbon reduction of 30% by 2030; driving customer focus

Sustainability: Driving 30% carbon reduction from FY18



- GBC waste tyre completed (but additional shutdown to allow this resulted in a one-off lowering of carbon emissions), Australia solar and energy efficiency & Laminex rooftop solar projects completed in FY21
- 46% waste diverted from landfill, compared to 39% in FY20
- DJ Sustainability™ Asia Pacific Index and DJSI Australia index inclusion
- Improved CDP rating to B (from D in FY19) for approach to managing carbon emissions & climate change, most improved NZ company

Customer



- Performance up slightly through tough period
- Driving to best in class net promoter score of ≥ 55

1. Net Promoter Score (NPS) measures how satisfied our customers are with our business. Prior years restated to reflect business units currently in the NPS programme

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Income Statement

EBIT before significant items $669 million, material uplift on prior years

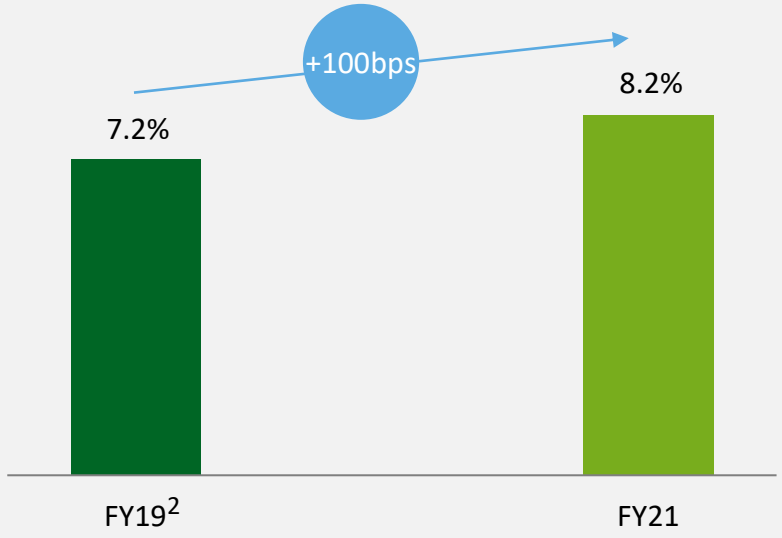
NZ$m	Jun 2019 12 months pro forma[1]	Jun 2020 12 months reported	Jun 2021 12 months reported
Revenue	8,308	7,309	8,120
EBITDA	957	530	1,032
EBIT before significant items	**598**	**160**	**669**
Significant items	(94)	(276)	(128)
EBIT	**504**	**(116)**	**541**
Lease interest expense	(64)	(69)	(64)
Funding costs	(116)	(80)	(44)
Tax expense	(80)	81	(116)
Non-controlling interests	(13)	(12)	(12)
Net earnings	**231**	**(196)**	**305**
Basic earnings per share before significant items (cents)	36.7[2]	0.4	50.1
Basic earnings per share (cents)	28.8[2]	(23.5)	37.0
Dividends per share (cents)	23.0	0.0	30.0

1. Jun 2019 12 months pro forma is Jun 2019 12 months reported adjusted for discontinued operations and IFRS16 to allow for like-for-like comparison
2. Reported adjusted to exclude discontinued operations

Margins

100bps improvement in EBIT margin since FY19, driven by efficiency programmes in Core Divisions

EBIT Margin[1] (%)



NZ Core	10.0%	+100bps	11.0%
Australia	2.5%	+120bps	3.7%

- Efficiency programmes commenced in FY18: focused initially on Australia, then on New Zealand
- Gross cost-out (overheads and COGS; fixed and variable) of >$250m, including gross fixed cost-out in FY21 of >$150m. A portion of the benefits have served to offset inflation
- Cost base now broadly right-sized – will make targeted overhead investments to support key growth initiatives and drive operating leverage

1. Before significant items
2. FY19 is a pro forma number adjusted for discontinued operations and IFRS16 to allow for like-for-like comparison

Significant items

Restructuring costs lower than prior guidance; Rocla impairment in line with agreed sale price

FY21 significant items (Profit and Loss Charges)

NZ$m	1H21	2H21	FY21
Restructuring	35	12	47
Rocla Impairment	51	30	81
Total	**86**	**42**	**128**

FY21 significant items (Cash Flow)

NZ$m	1H21	2H21	FY21
Restructuring	34	29	63
Quarry Divestment	(12)	-	(12)
USPP	32	-	32
Total	**54**	**29**	**83**

- Significant items charges in FY21 mainly related to final phase of Australia restructuring programme - lower than initial forecast due to improved market environment ($47m vs. $90m initial guidance)
- Remaining cash flows on restructuring costs c.$35m in FY22
- Rocla:
  - Impairment in line with agreement signed in July 2021 to sell business for AUD$55m
  - Reclassification of non-cash Foreign Currency Translation Reserve loss to be taken on completion in 1H22 – c.$35-40m

Cash flow

Cash flows driven by effective working capital management & lower inventories in NZ Core and housing

NZ$m	Jun 2020 12 months	Jun 2021 12 months	Change $m
EBIT before significant items	160	669	509
Depreciation and amortisation	370	363	(7)
Lease principal payments and lease interest paid	(240)	(246)	(6)
Provisions and other	182	34	(148)
Trading cash flow before working capital movements	**472**	**820**	**348**
Working capital movements	93	109	16
Trading cash flow excluding legacy projects and significant items	**565**	**929**	**364**
Legacy projects cash flow	(186)	(104)	82
Significant items cash flow[1]	(63)	(63)	-
Trading cash flow	**316**	**762**	**446**
Add: Lease principal payments	171	182	11
Less: cash tax paid	-	(3)	(3)
Less: funding costs paid	(77)	(52)	25
Cash flows from operating activities	**410**	**889**	**479**
Free Cash Flow[2] excluding legacy projects	**269**	**652**	**383**

1. Excludes USPP exit costs recognised in financing activities and quarry sale proceeds which are recognised in investing activities
2. Free Cash Flow = Trading cash flow less capex less cash tax, excluding M+A activities

Working Capital

Well positioned with operating disciplines embedded, rebuild of NZ Core and housing inventories expected in FY22

Cash flow working capital movements NZ$m	Jun 2020 12 months	Jun 2021 12 months
Residential and Development	50	105
Construction excluding legacy projects	16	(72)
Materials and Distribution Divisions		
• Debtors	95	(62)
• Inventories	(1)	(22)
• Creditors	(67)	160
Cash flow working capital movements excluding legacy projects	**93**	**109**

Key working capital metrics (days)	As at Jun 2020	As at Jun 2021	Change (days)
Debtors Days	39.0	37.9	(1.1)
Inventory Days	75.1	70.7	(4.4)
Payables Days	46.9	46.7	0.2
Materials and Distribution Total Cycle	**67.2**	**61.9**	**(5.3)**

➔ Rebuild of inventories expected in FY22: NZ Core c.$25-$50m, housing c$200m

Investment FY21

FY21 capex focused on enabling investments and new WWB plant

FY21 capex (NZ$m)

NZ$m	Jun 2020 12 months	Jun 2021 12 months
NZ Core (ex WWB new plant)	102	82
WWB new plant	22	78
Australia	65	42
Resi, FCC & Corp	43	30
Total	**232**	**232**
Less: Proceeds on disposal of PPE	-	*(20)*
Net Capex	**232**	**212**

- FY21 capex programme focused on maintenance as well as enabling investments for strategy, especially digital, manufacturing efficiency and sustainability
- c70% maintenance / c30% growth in FY21
- WWB new plant construction near Tauranga progressing well. Will provide additional 10Mm^2 capacity for long-term demand and product innovation

Investment FY22+

Targeted capex, working capital & OPEX investments to drive growth & improve systems environment

Key Organic Investments

	Amount	Timing	
Base Capex Envelope	c.$200-250m p.a.	ongoing	Includes $50-100m p.a. growth capex, $25-40m to create fit for purpose systems environment
Remaining WWB Plant Capex	c.$295m	FY22-FY23	c.$220m FY22, c.$75m FY23
Resi & Devt Growth (Working Capital)	c.$200m	FY22	Scale base housing to c.1,000 units p.a. plus invest in OSM[1], apartments, retirement offer

OPEX to support Organic Growth

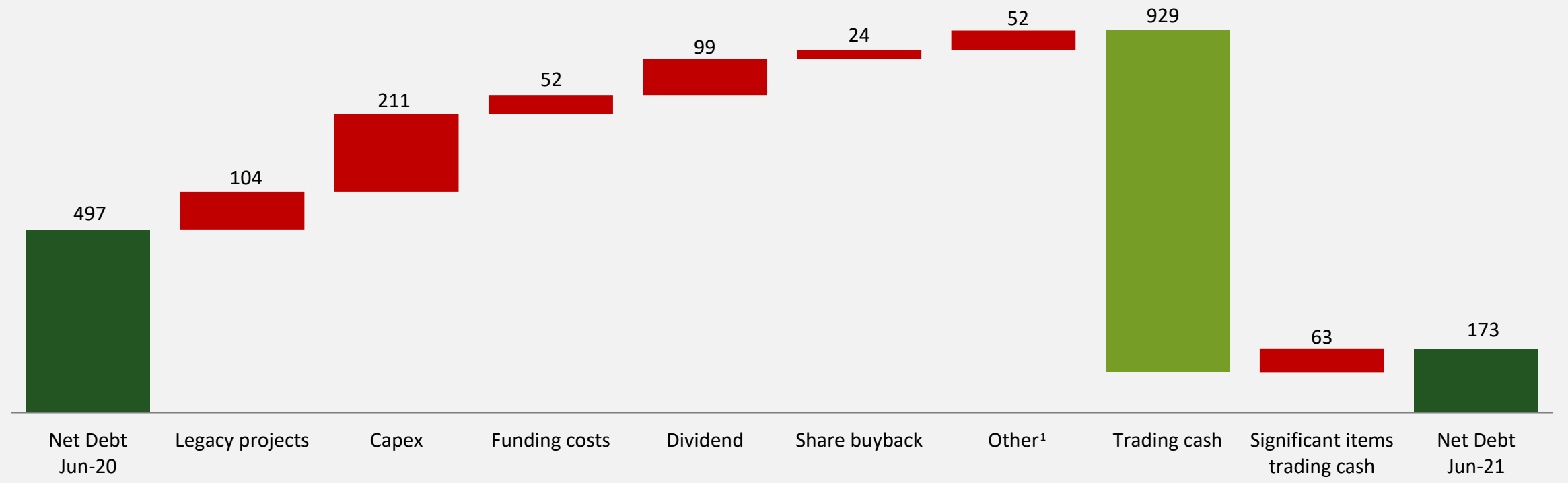
	Spend p.a.	Timing	
Core Divisions[2] – product adjacencies, decarbonisation, customer ecosystems	c.$10-20m	FY22-FY23	Targeted investment of c.$30-40m p.a. OPEX (above the line) in FY22-FY23 to support growth initiatives and accelerate systems development
Resi & Devt – scaling base business, apartments, OSM, retirement	c.$5m	FY22-FY23	
Digital and backbone systems	c.$10-20m	FY22-FY25	

1. Offsite Manufacturing
2. Core Divisions = Building Products, Concrete, Distribution, Australia

Net debt

Reduction through strong trading cash flows

Net Debt: Jun-20 to Jun-21 (NZ$m)

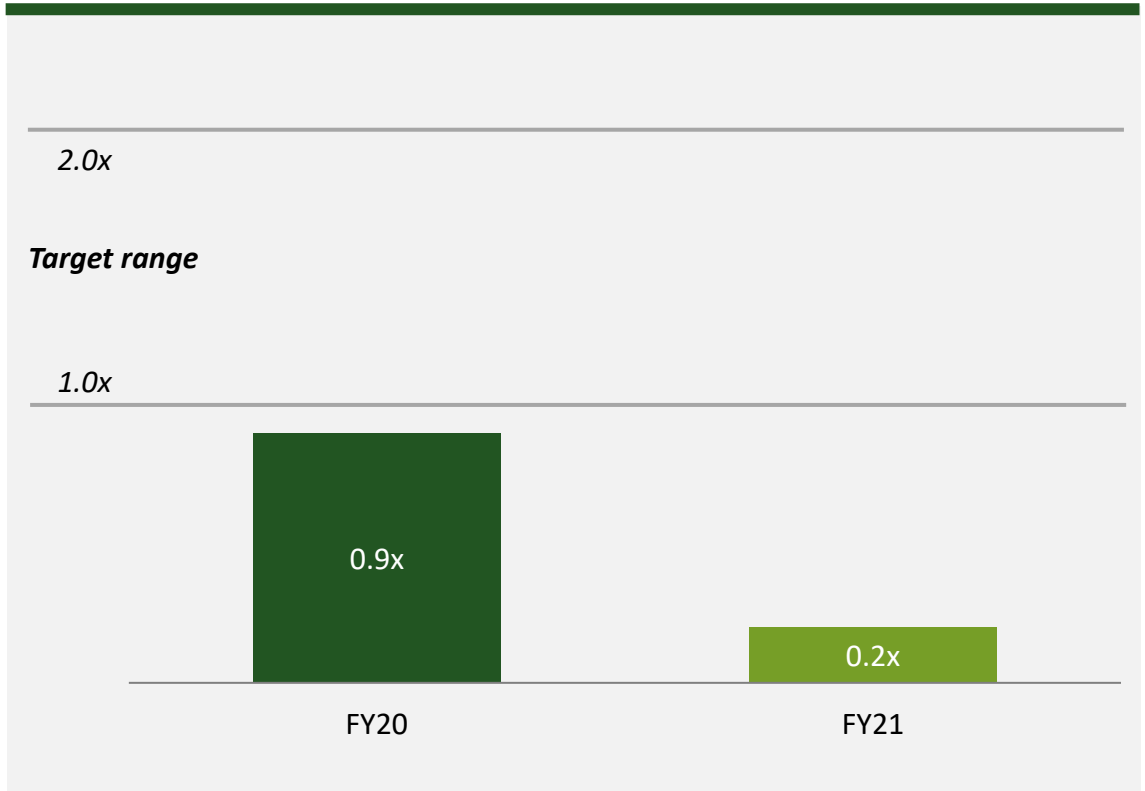


1. Other is comprised of Minority distribution $31m, repurchase of treasury stock $11m, Hedging/FX on debt of $5m, tax paid $3m and make whole adjustment of $2m

Leverage

Strong balance sheet, well-positioned to support continued execution of strategy

Leverage (Net Debt / EBITDA)

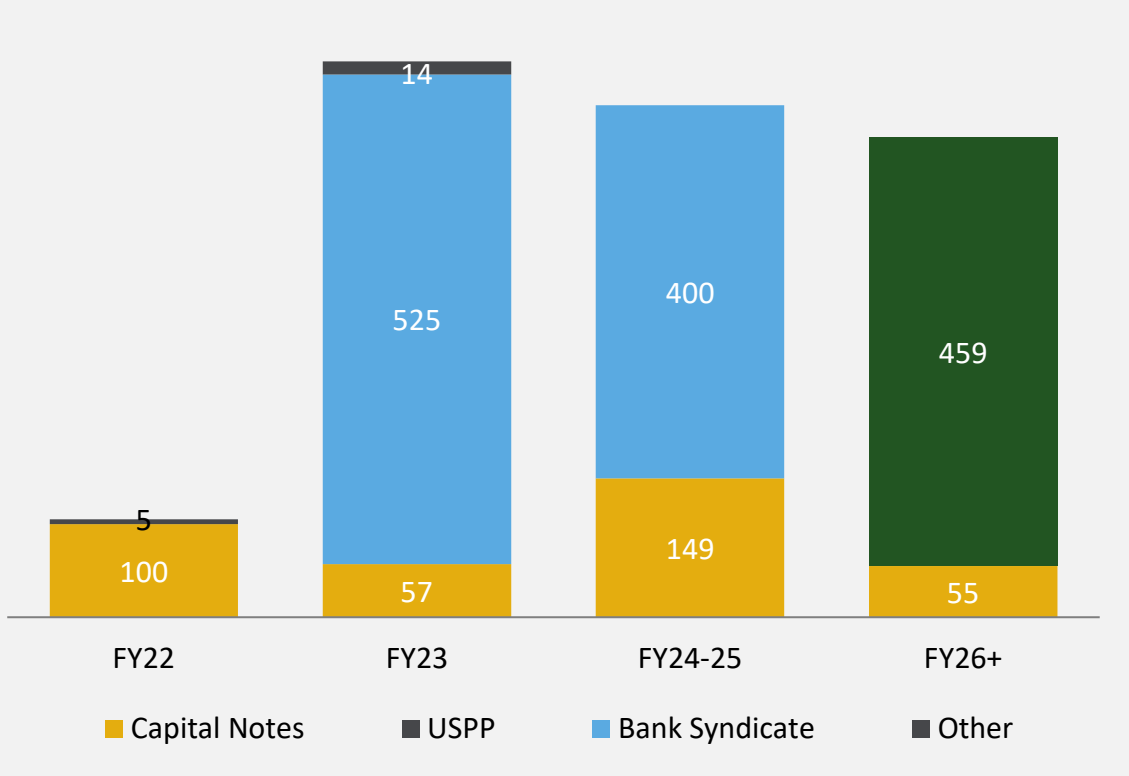


- Cash generation has supported strong balance sheet position and a sustained reduction in leverage
- Investments in FY22-23 in growth capex, new WWB plant, residential land & housing stocks and completion of legacy construction projects (c.$70m remaining)
- In addition, on market share buyback of up to $300m through to Jun-22

Funding

Drawn debt low, while maturity and liquidity profiles remain strong

Debt maturity profile ($m)



Debt facilities and drawings ($m)

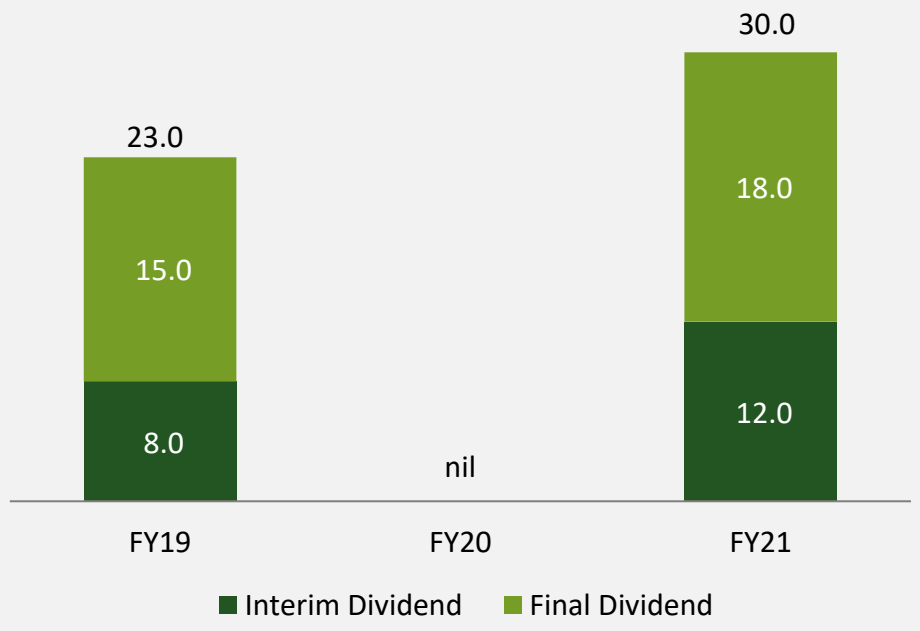
NZ$m	Facilities 30 Jun 21	Drawings 30 Jun 21
Syndicate	925	-
USPP	459	459
Capital Notes	361	361
Other	19	19
Total	**1,764**	**839**

- $764m gross debt repaid in FY21, including $350m USPP in Jul-20
- Undrawn credit lines of $925m and cash on hand of $666m as at 30 Jun 21 – total liquidity of $1.6b
- Banking covenants returned to normal testing from 10 Jun 21; material headroom on all covenants

Dividend and share buyback

Final dividend of 18.0 cents per share to be paid in September

Dividends (cps)



Dividends

- Final Dividend of 18.0 cents per share, to be paid on 17 September 2021
- 60% pay-out ratio[1] reflects imputation credit position, no credits currently available, expect to impute FY22 final dividend
- Dividends unimputed for NZ taxation purposes and unfranked for AU taxation purposes; Dividend Reinvestment Plan will not be operative for this dividend

Buyback

- On-market share buyback of up to $300m through to Jun-22
- This form of shareholder distribution takes into account tax effectiveness for all shareholders and earnings per share accretion
- Commenced on 10 Jun 21
- 3.1m shares repurchased as at 30 Jun 21 for $24m

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. Available cash flow = Free cash flow less cash interest

Summary

Strong delivery against financial targets, investing for growth

Margins	➔ +100bps EBIT[1] margin improvement since FY19 to 8.2%, driven particularly by targeted efficiency programs ➔ Path to c.10% EBIT margin[1] in FY23
Investment & Returns	➔ Base capex $200-250m p.a., Residential investment c.$200m FY22, targeted OPEX spend to support growth ➔ ROFE[2] 18.6%, exceeded ROFE ≥ 15% target, expect to continue to do so as funds base lifts on investments in growth and WWB plant
Cash Flow	➔ Working capital efficiency embedded ➔ Cash conversion[3] well above ≥ 60% target FY19-FY21, lower in FY22-23 as we invest in growth & WWB plant
Balance Sheet & Funding	➔ Strong balance sheet: leverage[4] 0.2x, liquidity $1.6b, well-placed to support organic growth investments ➔ Gross debt $764m repaid in FY21, funding costs reduced >$100m since FY18
Shareholder Returns	➔ FY21 total dividend of 30.0cps, well-positioned for sustainable dividend pay-out of 50-75% of net earnings[1] ➔ On-market share buyback of up to NZ$300m underway

1. Before significant items
2. Return on Funds Employed (ROFE) excludes significant items
3. Free Cash Flow / EBIT
4. Net Debt / EBITDA. Leverage range was adjusted from 1.5x-2.0x to take account of impact of IFRS 16 on EBITDA

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Divisional performance summary

Strong finish to year by all divisions

Division	Gross Revenue	EBIT[1]
Building Products	**$1,401m** FY20: $1,173m	**$197m** FY20: $87m
Distribution	**$1,714m** FY20: $1,471m	**$127m** FY20: $85m
Concrete	**$849m** FY20: $740m	**$113m** FY20: $74m
Residential and Development	**$734m** FY20: $466m	**$154m** FY20: $65m
Construction	**$1,456m** FY20: $1,318m	**$31m** FY20: ($147m)
Australia	**$2,758m** FY20: $2,802m	**$103m** FY20: $33m

Divisional trading

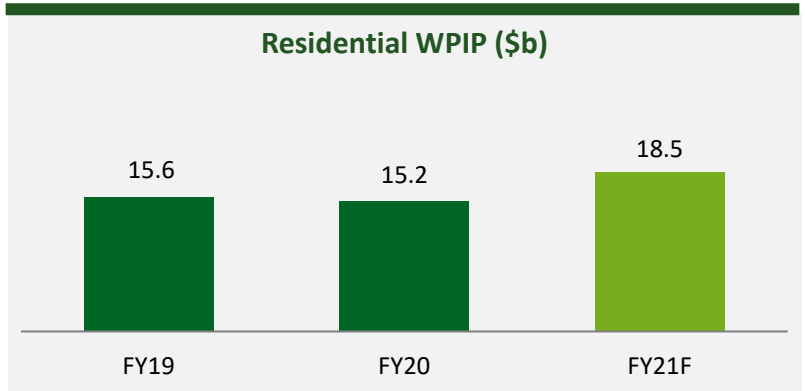
- Strong trading momentum; customer preference for local manufacturing; input cost pressures in resin, steel, paper, freight and energy passed through to price
- Margin improvement through revenue growth across all customer segments and cost controls; PlaceMakers Hub programme completed driving customer consistency, eCommerce & delivery solutions thriving
- Strong product demand. Manufacturing & supply chain efficiency initiatives, network optimisation partly offset by higher electricity & inventory buffer stock through GBC waste tyre facility commissioning
- 836 unit sales (vs 666 in FY20); strong housing market, optimising house typologies to meet customer preferences and target price points; Land dev't EBIT $57m from two large land transactions
- Revenue underpinned by solid construction levels across NZ, esp transport and water sectors. Higgins and BPC delivered 5.4% EBIT margins. Orderbook successfully reshaped for more balanced risk
- Strong Laminex, all businesses improved benefitting from significant interventions over the past 3 years. Customer service improvements and NPD[2] delivering growth. Rocla sale agreed in July 2021

1. Before significant items
2. NPD - New Product Development

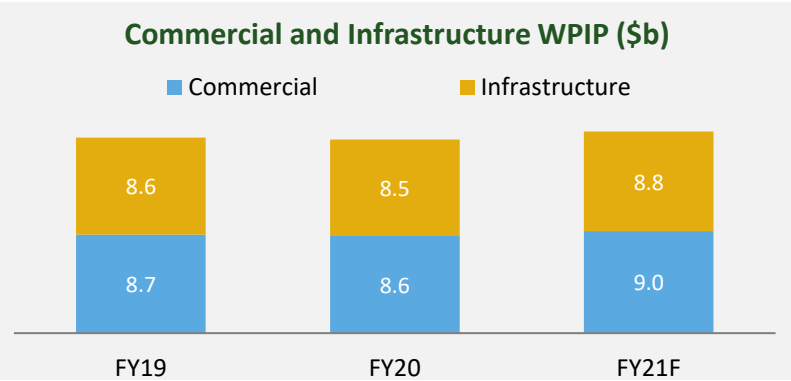
NZ markets look favourable and "stronger for longer"

Residential supportive, solid Commercial and Infrastructure pipeline

Historical and Forecast



- NZ Residential is 48% of NZ FB revenue
- Strong residential demand across both new build and renovation, supported by historic undersupply and favourable macro environment (low unemployment, low interest rates)
- Supply chain and labour constraints mean residential sector is currently at or near capacity, likely to mean extended period of building activity beyond FY22
- Positive outlook supported by customer pipelines and PlaceMakers quoting volumes, which are running broadly in line with consents



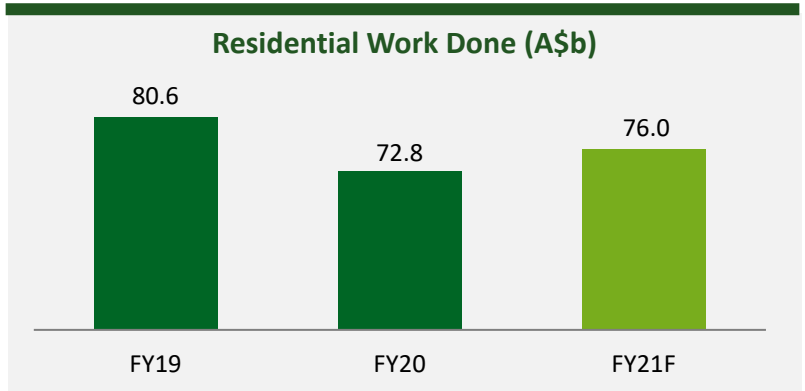
- NZ Commercial is 24% and NZ Infrastructure is 28% of NZ FB revenue
- Commercial and infrastructure stable overall in FY21, underpinned by public sector investment
- Outlook for commercial is remain steady, while infrastructure has a strong long-term outlook supported by government investments especially roads and water

Source: Infometrics, RBNZ, NZ Initiative
WPIP = Work Put In Place

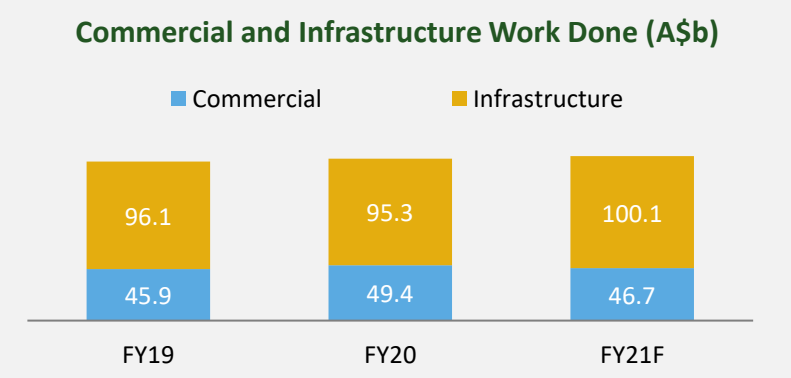
Australia macro backdrop supportive for growth

Residential strong outlook, Commercial softer while delays in key segments impact Infrastructure

Historical and Forecast



- AU Residential is 62% of FB AU revenue
- FY21 saw robust activity in detached housing and renovations, offset by apartments sector
- Positive outlook with increase in approvals supported by macro factors including low interest rates and government stimulus



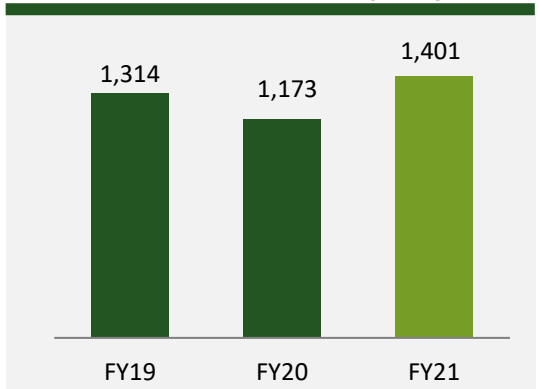
- AU Commercial is 26% and AU Infrastructure is 12% of FB AU revenue
- FY21 saw slowdown in commercial segment with infrastructure segment seeing delays in major projects in key sectors for pipes businesses, notably water and gas
- Outlook for commercial and key civil sectors to stabilise at current levels in near-term

Source: BIS Oxford Economics, RBA

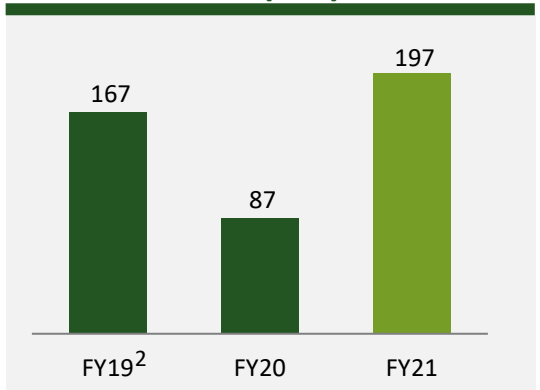
Building Products

FY21 results overview: all business units delivered strong growth in strong market

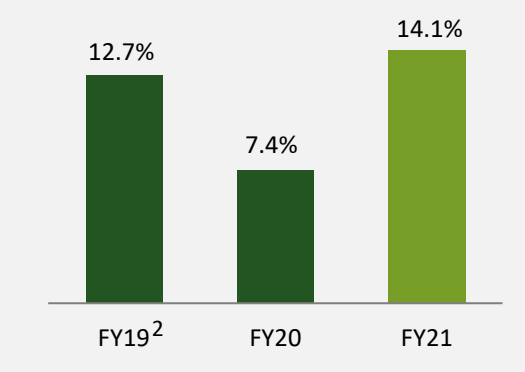
Gross Revenue ($m)



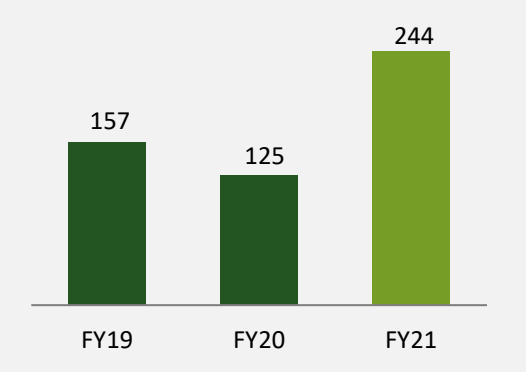
EBIT ($m)[1]



EBIT Margin (%)[1]



Trading cash flow ($m)



FY21 trading performance

- Revenue up 19%: strong demand from residential and infrastructure sectors, plus share gains; improved pricing disciplines with escalating electricity, freight and raw material input cost increases passed on in H2
- EBIT up 126% driven by volumes and improved margin management: solid contribution from Steel and Humes
- Strong cash flows from strong earnings and working capital control

1. Before significant items
2. FY19 is a pro forma number adjusted for IFRS16 to allow like-for-like comparison

Building Products

Deliver performance and growth through maintaining EBIT margin at c.14%

Business Unit	Operational highlights and looking ahead to FY22
Products	→ New WWB plant construction on track, Customer Specific Quote application launched → New Laminex website with increased digital and electronic transaction capability → Automation in TINZ delivering productivity improvement → FY22: Laminex automation, Weatherline®, Barrierline® growth, expanded commercial insulation offer, continued work on gypsum board new product development to optimise new WWB plant capability post commissioning
Pipes	→ Expansion into new segments and categories, e.g.; Iplex expanded rural and electrical product offerings and solutions → Humes sales and manufacturing rationalisation completed → FY22: Humes-Papakura manufacturing plant automation, NPD: rainwater, PE long-run and coiling solutions, continued expansion into new segments with existing products
Steel	→ Fletcher Steel South Island site rationalisation; finalised the relocation of Easysteel and Dimond in Wellington to an improved facility → FY22: PCC ovens upgrade commencing, NPD through solar roofing profiles, EV charging infrastructure solutions

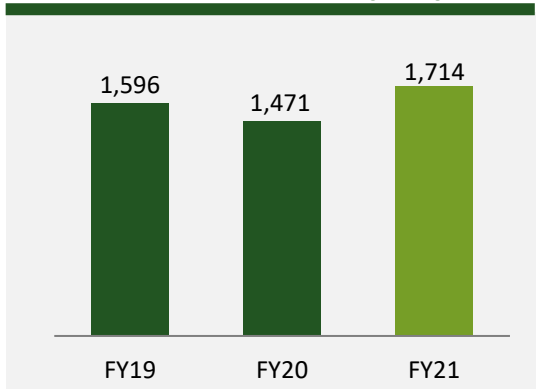
TINZ new bagger and bag placer

Iplex rural solutions

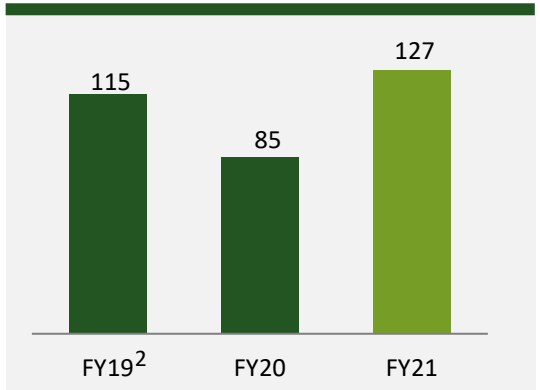
Distribution

FY21 results overview: strong customer demand delivering top line and earnings growth

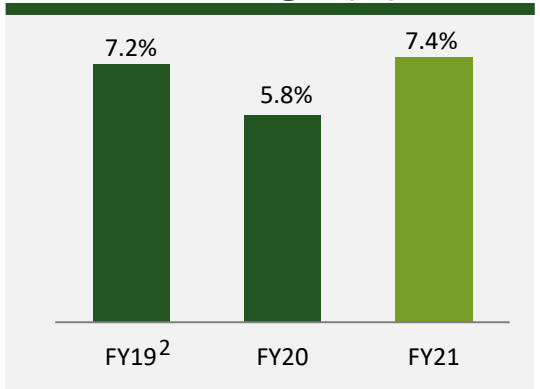
Gross Revenue ($m)



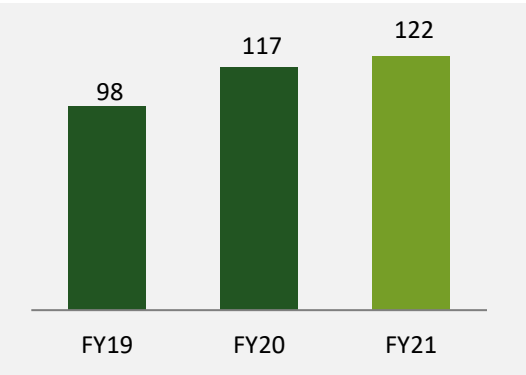
EBIT ($m)[1]



EBIT Margin (%)[1]



Trading cash flow ($m)



FY21 trading performance

- Revenue up 17%: good demand across all customer segments, with strong growth in Auckland and lower North Island
- EBIT up 49% with good margin improvement: efficiency initiatives including workforce optimisation; more than offsetting competitive pressure on price
- Trading cash flow solid on tight working capital management; inventory focus to meet higher activity levels & supply challenges

1. Before significant items
2. FY19 is a pro forma number adjusted for IFRS16 to allow like-for-like comparison

Distribution

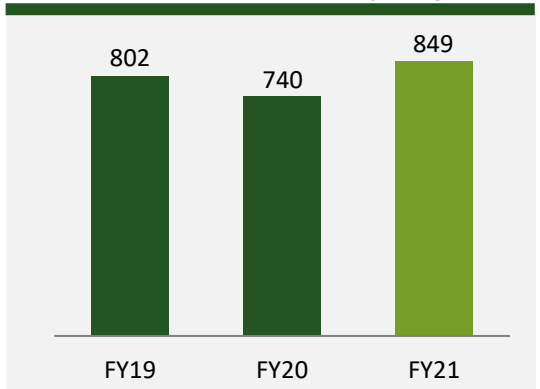
Deliver ongoing margin expansion through top-line sales growth, pricing disciplines & cost efficiencies

Business Unit	Operational highlights and looking ahead to FY22
PlaceMakers	→ Enhanced e-tools launched with personalised pricing, live stock availability, >30% of trade customers registered, now at 7% of monthly sales → Transport management system now live across branch network, order and delivery tracking; managed by centralised team to drive higher deliver in full performance → Regional Hub structure completed in Auckland & Christchurch providing greater consistency for customers, enable closest site delivery → New e-tools capability with seamless integration into customer ecosystems; driving enhanced personalised customer experiences; data and analytics to provide customer insights and improved share of wallet; lowest delivered cost focus through workforce optimisation
mico	→ FY22: Customer segmented pricing & discount management, targeted customer offers, sales excellence to capture share of wallet growth, Mico e-tools launch in Q4

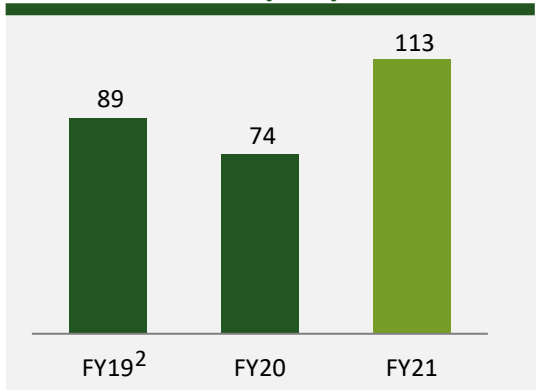
Concrete

FY21 results overview: solid improvement from revenue to profit & margin through to cash flow

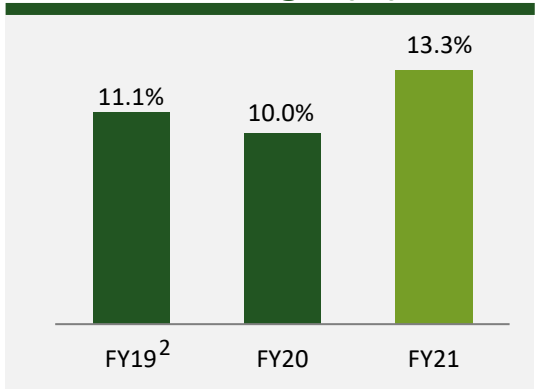
Gross Revenue ($m)



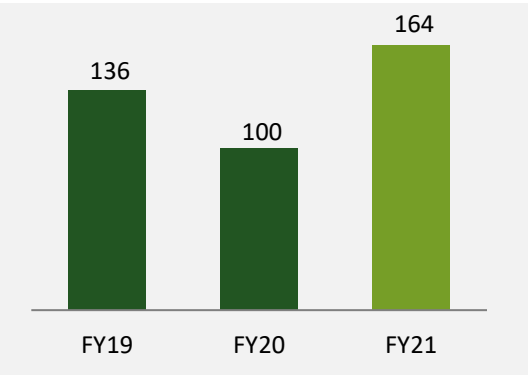
EBIT ($m)[1]



EBIT Margin (%)[1]



Trading cash flow ($m)



FY21 trading performance

- Revenue up 15%: solid volume and pricing discipline across all segments owing to differentiated offering, asset renewal and debottlenecking of key operations
- EBIT up 53%, strong margin improvement: manufacturing & supply chain initiatives and network optimisation delivered, lean and agile support organisation, some impact from higher electricity costs and product purchases due to extended shutdown while commissioning waste tyre platform
- Trading cash flow from earnings delivery and strong discipline on working capital and capex spend, strong demand resulted in lower inventory

1. Before significant items
2. FY19 is a pro forma number adjusted for IFRS16 to allow like-for-like comparison

Concrete

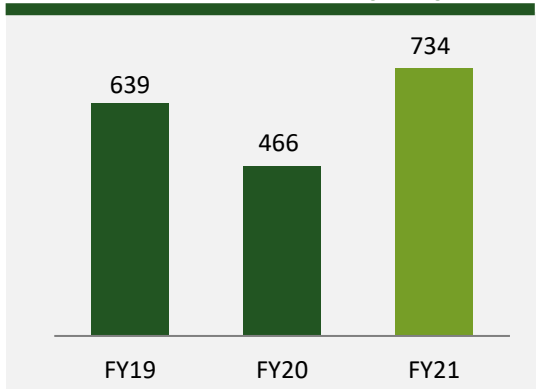
Performance and growth by driving both margin expansion and above market growth

Business Unit	Operational highlights and looking ahead to FY22
Firth	→ Topline: differentiation of products and solutions, benefit of asset renewal programme → Bottom line: footprint and supply chain optimisation, lean and agile overhead organisation → Future growth: 95% ready-mix products with Environmental Product Declarations, ready-mix online portal launched
Golden Bay Cement	→ Topline: Full benefit from service extension and supply chain flexibility → Bottom line: operational excellence, waste tyre project successfully commissioned → Future growth: scale digital supply chain, drive alternative fuels and raw materials
WINSTONE AGGREGATES	→ Topline: product portfolio optimisation, leverage footprint through debottlenecking → Bottom line: Footprint and supply chain optimisation, operational excellence → Future growth: digital design and quarry optimisation, fast scale of recycling

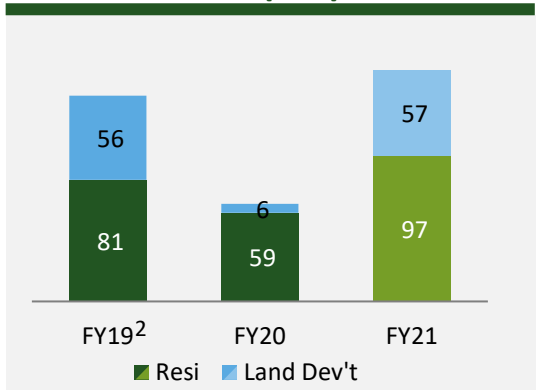
Residential and Development

FY21 results overview: performance improvement driven by measured growth

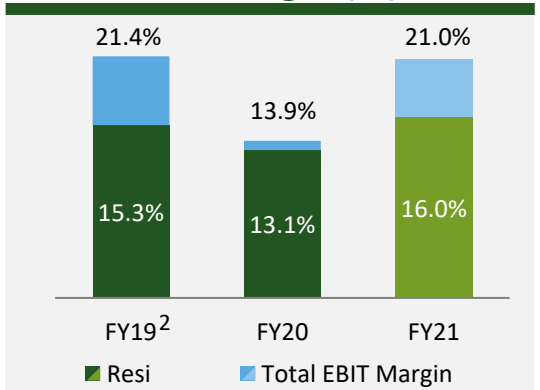
Gross Revenue ($m)



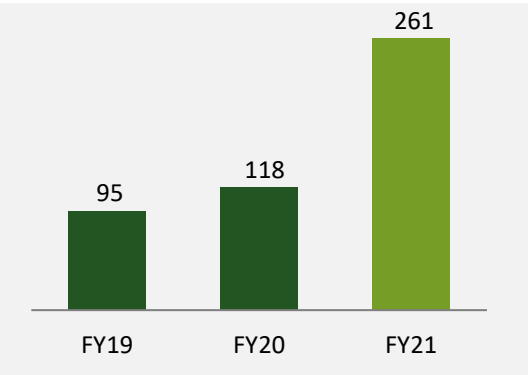
EBIT ($m)[1]



EBIT Margin (%)[1]



Trading cash flow ($m)



FY21 trading performance

- Revenue up 58%: strong market driven by low mortgage rates and combination of new and well-established development locations; 836 unit sales (vs. 666 in FY20); average unit price 8% higher
- EBIT up 137%: strong resi volumes throughout the year, favourable mix in typologies sold; land development Rocla Gailes & former Crane Copper Tube Sydney sites sales
- Trading cash flow strong on high sales volumes and significant reduction in housing stock levels; Funds were $534m at year end, expected to build to $750m in FY22

1. Before significant items
2. FY19 is a pro forma number adjusted for IFRS16 to allow like-for-like comparison

Residential and Development

Continue to deliver performance and growth from very strong base

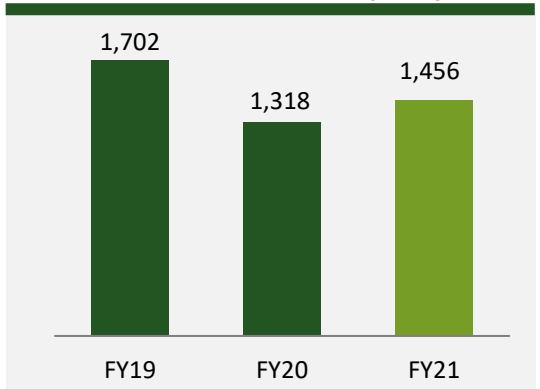
Business Unit	Operational highlights and looking ahead to FY22
Fletcher Living Love your new home	➔ Strong housing market, $600k-900k homes proving popular with first home buyers and investors, house typologies optimised to meet customer price points and preferences post COVID-19 ➔ FY22: scaling unit sales to c.950[1] in FY22, 1/4 sold to date; new developments across Auckland & Canterbury with focus on sites of > 100 homes and delivering mid-market pricing ➔ Strong pipeline of c4,000 future lots under control, acquired across our own raw land, acquiring sections & partnerships
CLEVER CORE New Zealand	➔ Design and installation improvements made to allow scale up; leading industry sustainability initiatives in waste minimisation ➔ Increase volumes from 97 in FY21 to c.200 in FY22
Apartments	➔ Dedicated apartments team established, >500 pipeline apartments being worked on ➔ FY22: completion of first apartments, c.40 in Auckland
Retirement	➔ Retirement market proposition announced, first sites underway at Red Beach & Waiata Shores
Land Development	➔ Team in place to supplement the FB asset disposal pipeline with attractive external development opportunities ➔ Continue to generate c.$25m EBIT p.a.

1. Includes OSM, apartments and retirement

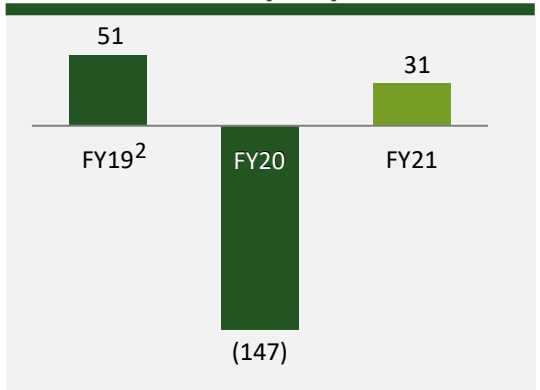
Construction

FY21 results overview: good progress maintained, returned to profitability

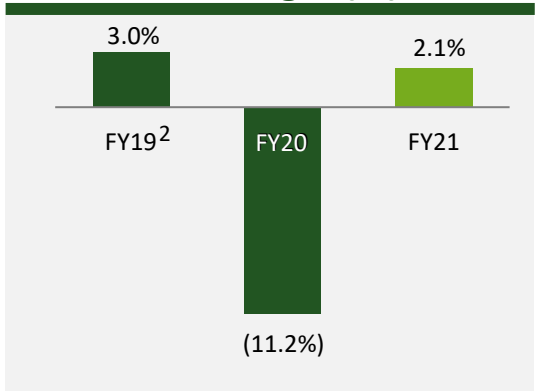
Gross Revenue ($m)



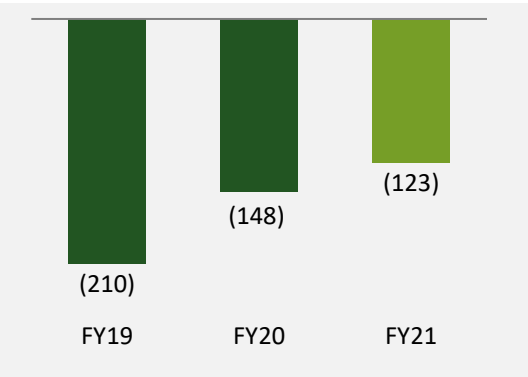
EBIT ($m)[1]



EBIT Margin (%)[1]



Trading cash flow ($m)



FY21 trading performance

- Revenue up 10%: $0.9b Infrastructure services and minor capital works (BPC, Higgins, South Pacific), $0.5b major projects (roads, commercial building); strong construction activity levels across NZ, especially transport and water
- Strong contribution to EBIT by Higgins & BPC which delivered 5.4% EBIT margin; tight cost controls, partly offset by no margin contribution from legacy projects
- Trading cash flow reflects solid earnings in BPC, Higgins and South Pacific more than offset by legacy outflows & working capital unwinds
- Orderbook successfully increased and reshaped to lower risk profile

1. Before significant items
2. FY19 is a pro forma number adjusted for IFRS16 to allow like-for-like comparison

Construction

FY22 focus to deliver performance and growth: strong forward quality revenue secured with better EBIT margin

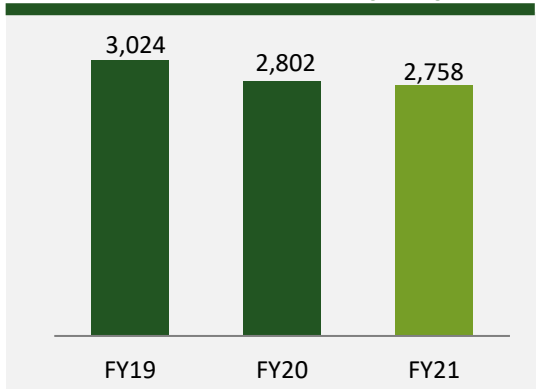
Business Unit	Operational highlights and looking ahead to FY22
Fletcher	➔ Progress on major infrastructure & building projects continues, Commercial Bay, Biolabs and Te Nīkau Grey Hospital & Health Centre delivered; $0.3b work to complete on legacy projects (less than 10% forward orderbook)
BPC BRIAN PERRY CIVIL	➔ Strong activity levels supported by Water and Marine sectors, with material growth in the central & lower North Island ➔ Focus on self perform capability and specialised assets
HIGGINS	➔ Record volumes of asphalt in FY21 and FY22 to supply major road projects, with new plants in Auckland and Napier ➔ Focus on roads maintenance contract performance, growth in Fiji, bitumen storage & distribution, enhanced digital asset management offering
$3.0b Order Book + $0.3b Preferred	➔ 67% represents low-to-medium risk style contracts – including multi-year alliance projects, longer term framework agreements, asset maintenance, smaller renewal & upgrade contracts ➔ $1.2b 10 yr Watercare enterprise model ➔ $0.3b AMETI Eastern Busway 2,3,4 alliance project ➔ Kāinga Ora $250m Eastern Porirua Regeneration programme ➔ Fiji Roads Authority $80m various projects ➔ Underpins 75% of forecast revenue for FY22 and 50% of FY23

Waikato 50 Water Project

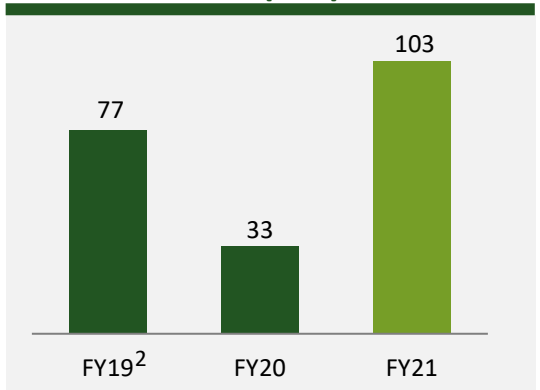
Australia

FY21 results overview: material profit and margin improvement

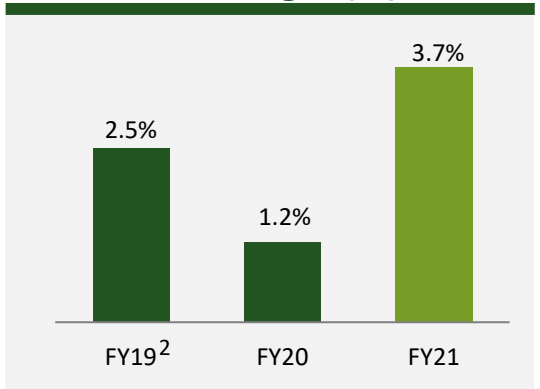
Gross Revenue ($m)



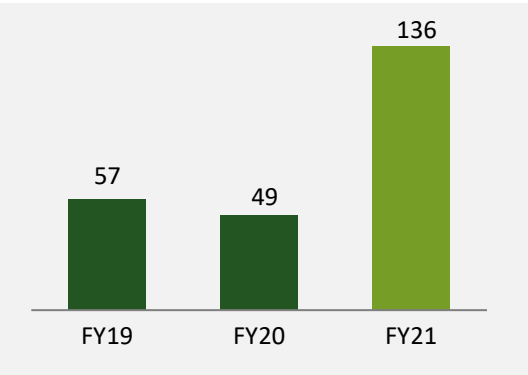
EBIT ($m)[1]



EBIT Margin (%)[1]



Trading cash flow ($m)



FY21 trading performance

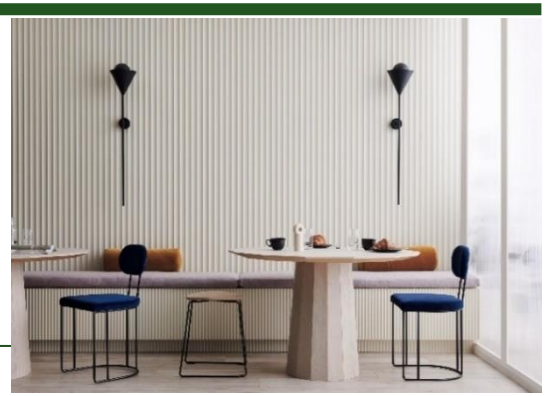
- Revenue down 2% with the residential market broadly flat and commercial, civil & infrastructure segment activity lower. Pipes businesses down 18% in subdued civil and infrastructure market. Share gains in most businesses
- EBIT up 212%; improvement driven by profitable growth and operational discipline with margin up 250bps
- Trading cash flows included strong performance in both inventory and debtor management

1. Before significant items
2. FY19 is a pro forma number adjusted for IFRS16 to allow like-for-like comparison

Australia Building Products

FY22 focus to deliver performance and growth from quality earnings base

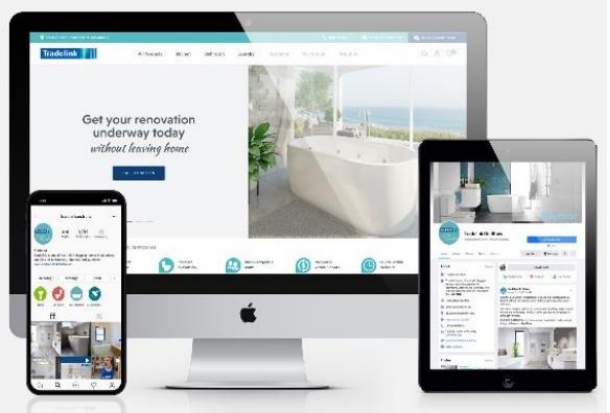
	Business Unit	Operational highlights and looking ahead to FY22
Products	Laminex	➔ Market share gains in key decorative category with strong momentum in gross margin performance, strong vitality evidenced, pleasing digital maturation with sales now >25% of revenues. Launched new business model with Haven Kitchens joinery offering now in market ➔ FY22: Continued growth in margin accretive categories, maturation of Haven Kitchens, expansion into adjacencies via new product development and digital
	Fletcher Insulation (Building Better, Together)	➔ Market share gains through strong performance in core offering. Strong manufacturing efficiencies as a result of network optimisation and investment in automation ➔ FY22: Expansion of supply and install business model (ee-fit), growth in margin accretive segments such as HVAC
	iplex (We Know Water)	➔ Continued progress in our strategic areas of growth set against a slow project market. Simplified business model is driving improved earnings ➔ FY22: Maturation of the national direct to site civil model, continued focus in margin accretive categories targeting municipal bodies and asset owners, digitisation programme underway



Australia Distribution and Steel

FY22 focus to deliver performance and growth from quality earnings base

Business Unit	Operational highlights and looking ahead to FY22
Distribution (Tradelink, Oliveri)	➔ Profitable market share gains underpinned by SME plumber weighting of total revenue growing from 34% to 46%, own brand penetration now 35% of front of wall sales. Business to consumer transactional website launched successfully and delivering ahead of plan. Continued growth in Tradelink gross margin. Strong uptake in Oliveri new bathroom range, share growth in kitchen sink and tap markets. ➔ FY22: Maturation of existing strategy. Acceleration of digital programme; further growth in B2C offer and launch of B2B digital model
Steel (Stramit)	➔ Material improvement in profitability year on year delivered by strong performance in key areas of growth. Share gains in higher-margin sheds and doors segment; increased new product development and manufacturing efficiencies from automation investments ➔ FY22: Focus on recovery of supply chain in the context of raw material shortages. Roll-out of our digital programme. Continue to drive NPD and automation programmes



Agenda

1. Results Overview	Ross Taylor
2. Financial Results	Bevan McKenzie
3. Markets and Divisions	Ross Taylor
New Zealand Operations	
- Building Products	Hamish McBeath
- Distribution	Bruce McEwen
- Concrete	Nick Traber
- Residential and Development	Steve Evans
- Construction	Peter Reidy
Australia Operations	Dean Fradgley
4. Outlook	Ross Taylor

FY22 outlook

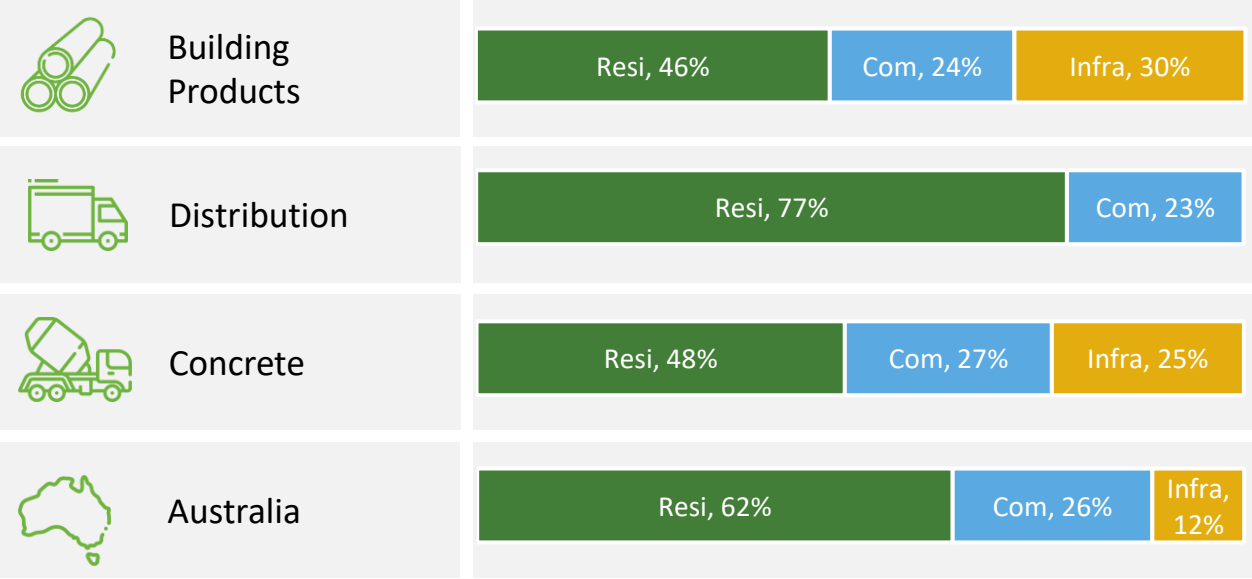
Continue to drive performance and growth

- New Zealand: activity pipeline continues to look “stronger for longer,” especially in Residential; supply chain and labour constraints mean Residential sector is currently at or near capacity, likely to mean extended period of building activity in FY22 and beyond
- Australia: macro backdrop supportive for growth; Residential outlook strong, detached housing and renovations supportive offset by apartments sector; Commercial and key civil sectors stabilising at current levels
- Input cost inflation and supply chain disruption remain key features of the NZ and AU operating environment; businesses well set up to recover costs through price
- COVID-19 outbreaks/lockdowns remain a risk. Sharp operational focus, strong response disciplines embedded
- We have a strong balance sheet, a favourable market outlook, and remain well-positioned to drive performance and growth
- Further update on trading and outlook to be provided at Annual Shareholders Meeting in October 2021

Appendix

Divisional revenue exposure and FB revenue by market

Divisional Revenue Exposure by Sector



Total FB Revenue by Market (%)