

NEWS RELEASE



Fletcher Building announces expected FY20 annual results

Auckland, 11 August 2020: Fletcher Building today announced key aspects of its expected FY20 annual results, which will be released in full on 19 August 2020.

The result, which remains subject to final audit sign-off and approval by the Board, is expected to be a net earnings loss for the year ended 30 June 2020 of \$196 million, due predominantly to the impacts of COVID-19. These impacts include significant lost revenues, especially during the New Zealand lockdown and start-up period; lower productivity leading to additional provisioning on the legacy construction projects; and one-off restructuring costs as the Company prepares for reduced market activity.

Despite lower earnings, the Company's cash flow performance and balance sheet position has remained very strong. Operating cash flows are expected to increase in FY20 to \$410 million, driven particularly by effective working capital management through the COVID-19 disruptions. The Group's leverage ratio at 30 June is expected to be 0.9x, below the target range of 1.0x – 2.0x.

Fletcher Building Unaudited FY20 Annual Results		(NZ\$ million)
EBIT before Significant Items and before Construction Provisions		310
Construction Provisions		(150)
EBIT before Significant Items		160
Significant Items		(276)
EBIT		(116)
Net Loss		(196)
Cash Flows from Operating Activities		410
Capital Expenditure		232
Net Debt		497
Liquidity		1,629
Leverage (Net Debt / EBITDA)		0.9x

Fletcher Building CEO Ross Taylor said: "Prior to March, the business was trading in line with expectations and making good progress with operating efficiencies. As COVID-19 crossed New Zealand and Australian borders, we moved quickly to protect our people and ensure we are well positioned to successfully navigate the market uncertainty in FY21 and beyond. Our people have done an exceptional job of serving our customers, safely managing our operations, and resetting the business through a period of considerable disruption."

“Anticipating lower market activity ahead, we have taken some difficult but decisive actions to reset the cost base of the business. This has included closure of some supply chain and manufacturing facilities; ceasing of some unprofitable product lines; a reduction in office space; and, regrettably, a planned reduction in our workforce by around 1,500 positions. These have been tough but necessary decisions to right-size our business, and we expect them to deliver a permanent reduction in our cost base in FY21 of c\$300m p.a. We expect that FY20 significant items charges in respect of these actions will be \$187 million. Together with asset impairments of \$59 million in the Rocla business that we are divesting, and \$30 million of costs on our early exit of the USPP 2012 notes, we expect total FY20 significant items to be \$276 million. An additional c\$90 million of significant items is expected in FY21 as the final cost-out actions are completed.”

Mr. Taylor said that the Construction division had continued to make progress in working through its legacy, loss-making projects. “The value of legacy Buildings and Infrastructure work to complete has been reduced from approximately \$2.2 billion in February 2018 to approximately \$0.6 billion currently. The division's forward order book outside of the legacy projects has been rebuilt to comprise around \$2.4 billion of work with a materially better margin outlook, and significantly lower and more appropriate risk profile.”

“Through the FY20 year-end process we have decided to increase the provisions to complete our historical construction projects. This is expected to reduce our FY20 EBIT result by \$150 million. Three factors have led to these increased provisions. Around 50% is due to reduced productivities on key legacy projects, which were significantly disrupted by COVID-19 in FY20, and we expect ongoing challenges in FY21 across our supply chains and project resourcing. Around 20% of the additional provisions are due to issues which have arisen on a handful of historically completed projects. The final 30% consists of a prudent risk provision across our portfolio of legacy work.”

The Company has maintained a strong cash flow and balance sheet position through the COVID-19 disruption. Operating cash flows in FY20 are expected to be \$410 million, supported particularly by effective working capital management. FY20 capital expenditure is expected to be \$232 million, substantially below the initial market guidance for FY20 of \$275 to \$325 million. The Group's net debt at 30 June 2020 is expected to be \$497 million and liquidity is expected to be \$1.6 billion, including \$1.1 billion of cash on hand. The Group's leverage ratio of Net Debt to EBITDA is expected to be 0.9x, below the target range of 1.0x – 2.0x.

Mr. Taylor concluded that the Company remains in a strong position to continue driving its strategy and performance improvement. “Our focus in the past few months has been on the safety and well-being of our people, and acting quickly to preserve profitability and balance sheet strength. We have ensured our cost base is set for expected lower market activity, and kept cash flows and liquidity strong. We will watch the market closely, as the environment does remain uncertain, but we also believe it will provide opportunities for growth and the business is in a good position to capitalise on those.”

Conference call to be held today

Fletcher Building management will host a briefing for all investors, analysts and media today at **10:30am NZT / 8:30am AEST** to discuss the trading update. Participants can register for the conference by navigating to the following link:

<https://s1.c-conf.com/diamondpass/10009292-invite.html>

Upon registration you will be provided with the dial in number, passcode, and your unique access PIN. To join the conference simply dial the number and enter the passcode followed by your PIN, and you will join the conference instantly.

Webcast – You can watch the webcast live at the following link:

<https://edge.media-server.com/mmc/p/5f5fk7ei>

A replay facility will be available after the conference call by dialing the telephone number below and entering the PIN 10009292.

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#Ends

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Fletcher Building

FY20 Expected Annual Results

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11 August 2020



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This presentation provides additional comment on the expected FY20 annual results dated 11 August 2020. As such, it should be read in conjunction with and subject to the explanations and views given in that document. The result, which remains subject to final audit sign-off and approval by the Board, will be released in full on 19 August 2020.

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Navigated COVID-19 impacts, business set up for FY21, and maintained momentum on key strategies and focus areas

FY20

- Responded quickly to COVID-19 impacts
- Focus on health and safety of our people
- Strong customer service performance
- Cash and balance sheet remain strong



FY21 set-up

- Positioned the business cost base for reduced activity in FY21
- Accelerated key ecommerce activities
- Ensured debt lines and liquidity remain strong and available



FY21 and beyond

- Strategy and growth ambitions remain unchanged
- Ongoing focus on profitability and operational excellence
- Complete Australia portfolio rationalisation
- Clear historical Construction projects



COVID-19 response to NZ lockdown and Australia restrictions focused on health and safety, customer service, costs and cash

Actions

- Safely shut down and restarted NZ businesses and dealt with Australia restrictions
- Maintained customer service and performance
- COVID-19 Support Hub App launched, downloaded by 7,000 of our people, financial hardship fund in place
- Bridging Pay Programme implemented (govt supported)
- Strong focus on costs and cash:
 - > Capex reduced
 - > Board, Execs and GM remuneration reduced, no STI bonuses
 - > Debtors / Creditors well managed
 - > Negotiated reductions in both NZ property lease costs and other key supply agreements, all discretionary spend stopped
 - > Interim dividend cancelled, share buyback programme suspended

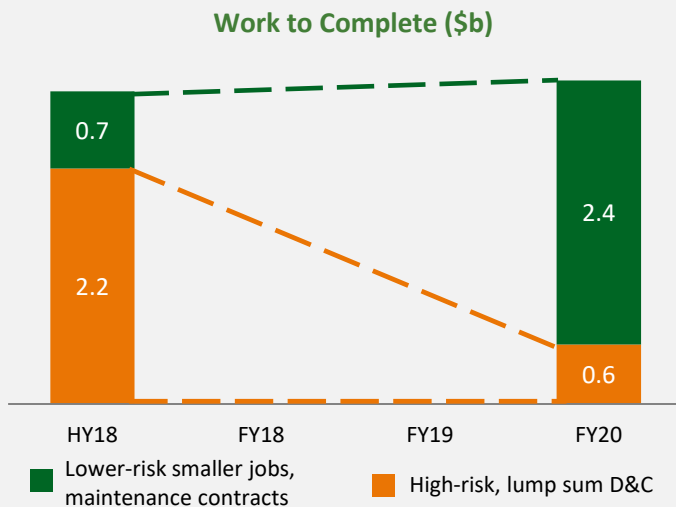
FY20 Results

- Serious injuries reduced by over 60% year-on-year
- COVID-19 impact resulted in Q4 operating earnings of c\$50m, a c\$200m reduction on expected Q4 earnings
- Strong cash flows of \$410m
- Balance sheet strength preserved, liquidity \$1.6b, net debt \$0.5b



While the Construction division continued to progress and finish historical projects, the provision envelope has increased

Significant progress made on two fronts since HY18



1. Completed significant number of legacy jobs, risk reduced
2. New work won with materially better margin outlook and significantly lower and more appropriate risk profile

Note: The part of the NZICC rebuild funded by insurance is included in \$2.4b FY20 order book

Provision envelope increased

- Well through the historical Construction work book
- Additional \$150m provisions due to:
 - > COVID-19 disruptions and productivity impacts, both in FY20 and ongoing (50%)
 - > Issues on historically completed projects (20%)
 - > Prudent risk provision across portfolio of legacy work (30%)
- c\$600m legacy work to complete, including impact of additional provisions



Setting up for likely lower market activity in FY21 required permanent reductions to our cost base and workforce

Actions

- Reductions to operating footprint, supply chain costs and general costs
- Workforce size will be reduced by c12% (over 1,500 people) matched to probable future market activity
- Australia portfolio rationalisation continuation
- Renegotiated debt covenants to preserve liquidity and retired a further USD\$300m of our most expensive debt lines, saving c\$40m of future interest payments
- Capex envelope reduced until market outlook more certain

Impact

- Actions expected to achieve a permanent reduction in cost base in FY21 of c\$300m p.a.
- FY20 significant items of \$276m:
 - > Right-sizing of the cost base \$187m
 - > Rocla asset impairments \$59m
 - > Debt restructuring resulted in one-off Make Whole payment \$30m
- FY21 significant items of c\$90m as final cost-out actions completed
- Significant items (FY20 and FY21) are expected to be c55% cash/45% non-cash



Key aspects of expected FY20 annual results

Profit impacted by COVID-19, cash flow and balance sheet strong

Unaudited reported results NZ\$m	Jun 2020 12 months
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FY21 - Positioned for reduced activity

Full update on 19 August 2020

- Business reset for market downturn of c25% in NZ and c20% in Australia
- Suite of cost-out actions already implemented to preserve profitability
- Strong cash flows of \$410m, liquidity of \$1.3b post-repayment of USPP 2012 notes
- Sharpened focus and ready to act, vigilant to macro factors, market activity and how forecasts evolve
- We have a strong balance sheet and a resilient business reset to withstand market pressures and take advantage of opportunities
- Provide a full update on 19 August 2020



Q&A

