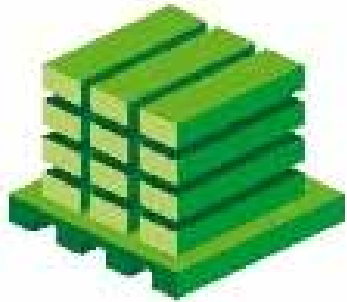




Investor Day Brisbane

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Tim Hickey

Chief Executive Distribution Australia

Disclaimer

This presentation contains not only a review of operations, but also some forward looking statements about Fletcher Building and the environment in which the company operates. Because these statements are forward looking, Fletcher Building's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the 2015 Half Year Results announcement, are all available on the company's website and contain additional information about matters which could cause Fletcher Building's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Fletcher Building.



Agenda

- **Introduction to Tradelink, and the market it operates in**
- **Performance history, and progress of turnaround initiatives**
- **Tradelink vision and early results**
- **Plan to take Tradelink vision forward**



The Tradelink business

210 stores
across Australia



1,600
employees



Full range of plumbing products



Tradelink operates in the ~A\$3.8bn Australian plumbing market

	SME Trade			
	Network Plumber	Network Builder	Projects	Retail
Market size (A\$m FY15f) ¹	\$1,500	\$400	\$1,400	\$500
Market growth (3-5 year projection)	Positive	Positive	Down	Flat
Tradelink share (FY15f)	Medium	Low	Medium	Low
Tradelink margin (H1FY15)	High	Medium	Medium	High
Our intent	Target segment—grow share	Target segment—grow share	Target segment—grow share	Not a focus—marginal growth

1. AU plumbing supplies revenue FY15f (A\$m).

Source: FB adjusted view of BIS Shrapnel data, HIA Kitchens & Bathrooms Report, Census data, ABS forecasts for residential buildings, Team analysis



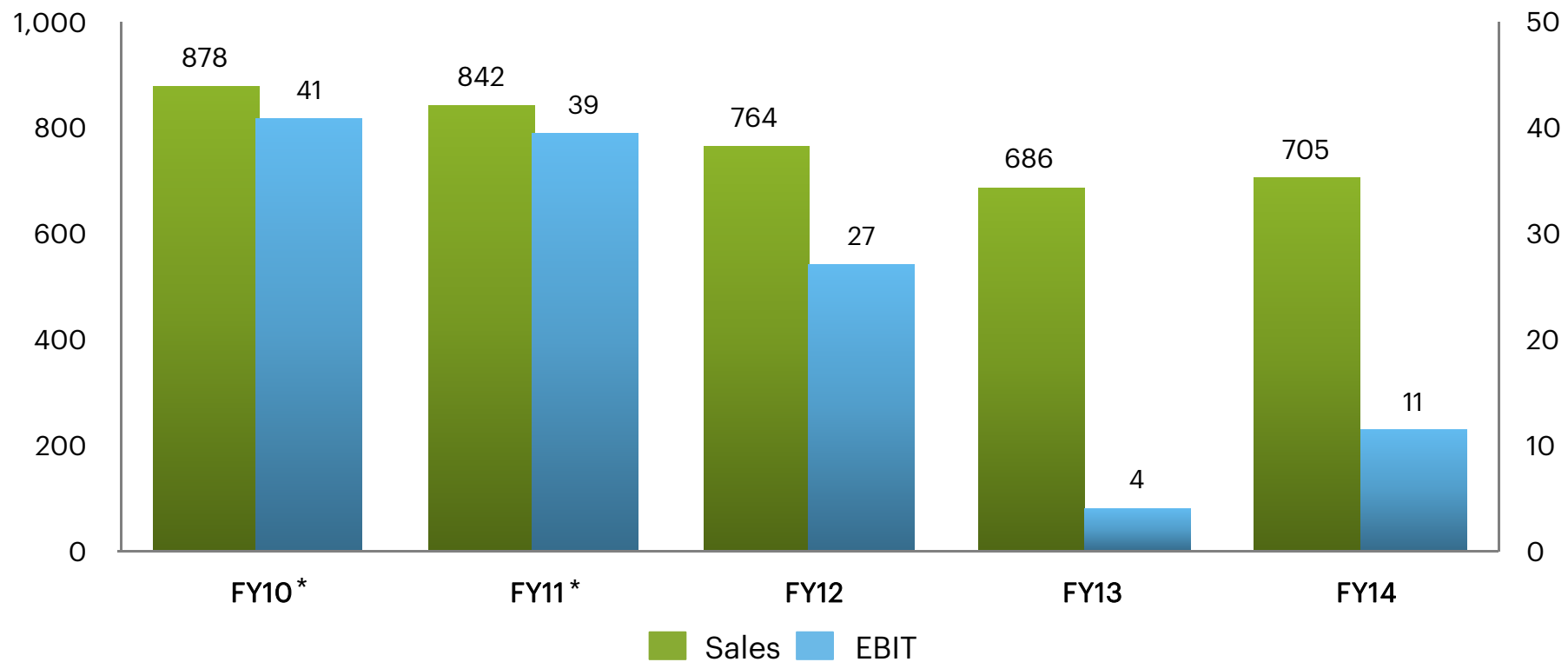
Tradelink Turnaround



Tradelink was a business in decline...but we have turned the corner

Sales revenue (A\$m)¹

EBIT (A\$m)¹



EBIT	5%	5%	4%	0.6%	1.6%
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1. FY10 excludes Hardware & Lumber (H&L) revenue and profit
Note: *Proforma



The Big Six Pillars

Customer Pillars



Product Availability



People Advantage



Convenience

Profit Pillars



Market Share Growth






Gross Margin



Operational Efficiency



Impact: Big Six CUSTOMER Initiatives

Big Six Lever	Initiatives	Impact
 Product Availability	<ul style="list-style-type: none"> ▪ Significant stock investment ▪ Range resets and private label 	<ul style="list-style-type: none"> ▪ Greater availability in stores and DCs ▪ Complete good, better, best ranges
 People Advantage	<ul style="list-style-type: none"> ▪ Training and induction 	<ul style="list-style-type: none"> ▪ Increased training investment from \$400/ FTE to \$1000/FTE ▪ Lowered (< 12 month) staff churn from 42% to 16%
 Convenience	<ul style="list-style-type: none"> ▪ Sign on glass introduced across network 	<ul style="list-style-type: none"> ▪ DIFOT improvement



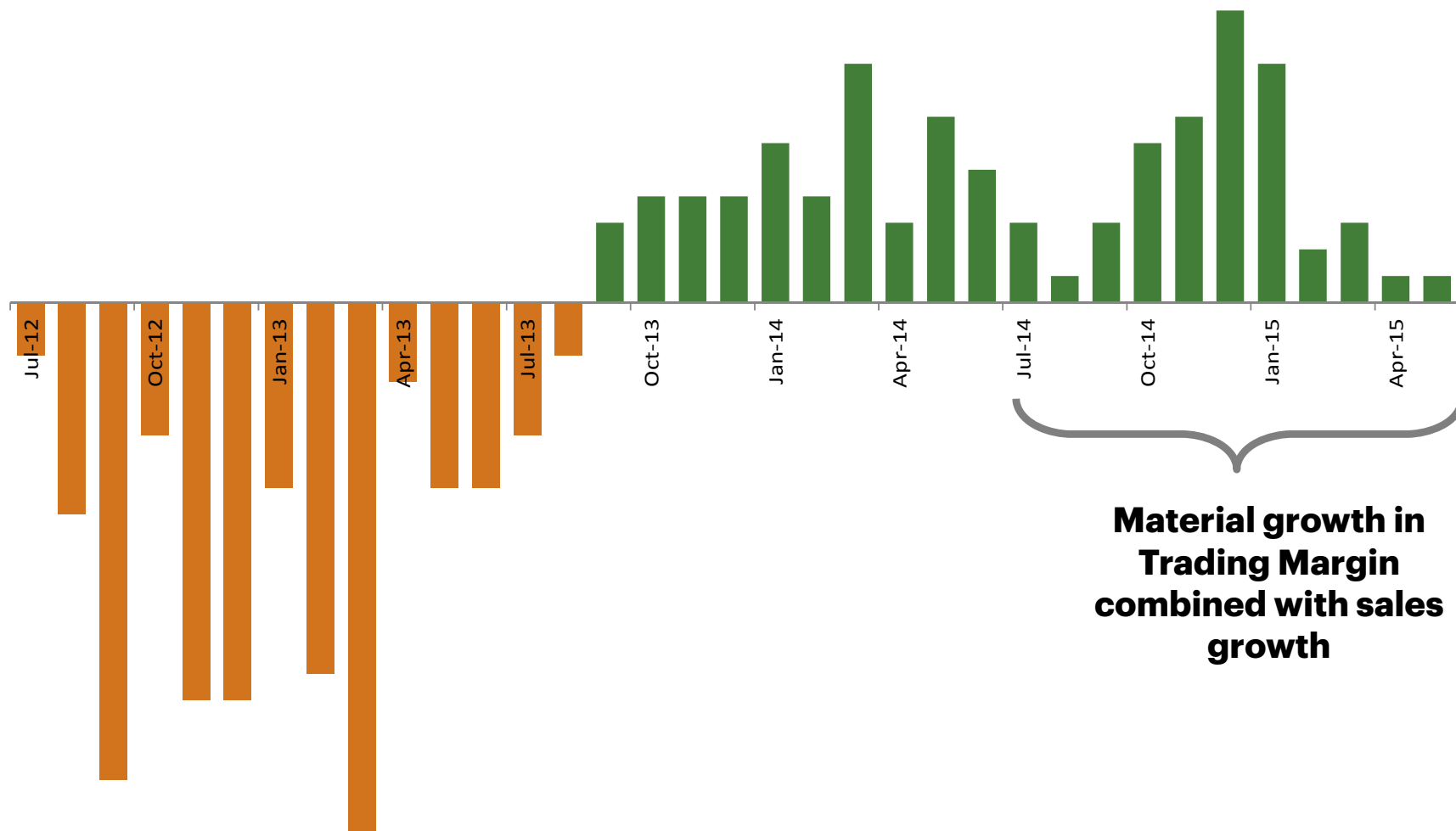
Impact: Big Six PROFIT Initiatives

Big Six Lever	Initiatives	Impact
 Market Share Growth	<ul style="list-style-type: none"> Focussed sales teams Increased estimating, quoting activity 	<ul style="list-style-type: none"> 21 months of year-on-year sales growth Net promoter score up 15 ppt All target segments with share gains
 Gross Margin	<ul style="list-style-type: none"> Pricing initiatives LCC sourcing New private label brands Category resets Strategic branded partnerships 	<ul style="list-style-type: none"> Material GM improvement Market relevant, consistent pricing Growth in new private label brands and strategic branded partnerships
 Operational Efficiency	<ul style="list-style-type: none"> Consolidated deliveries to stores New store to customer delivery model 	<ul style="list-style-type: none"> Freight cost savings Fleet and FTE cost savings



21 months of year on year sales growth

Month on month Sales per day growth %

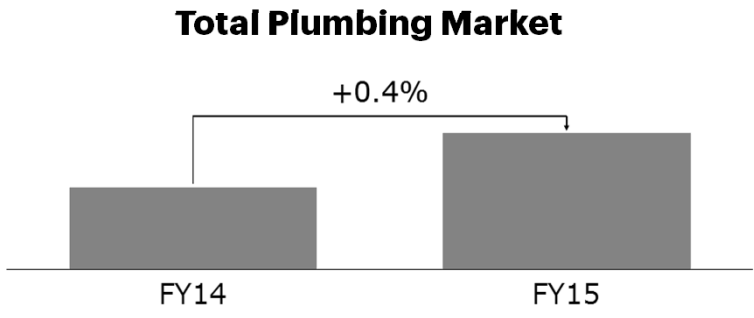
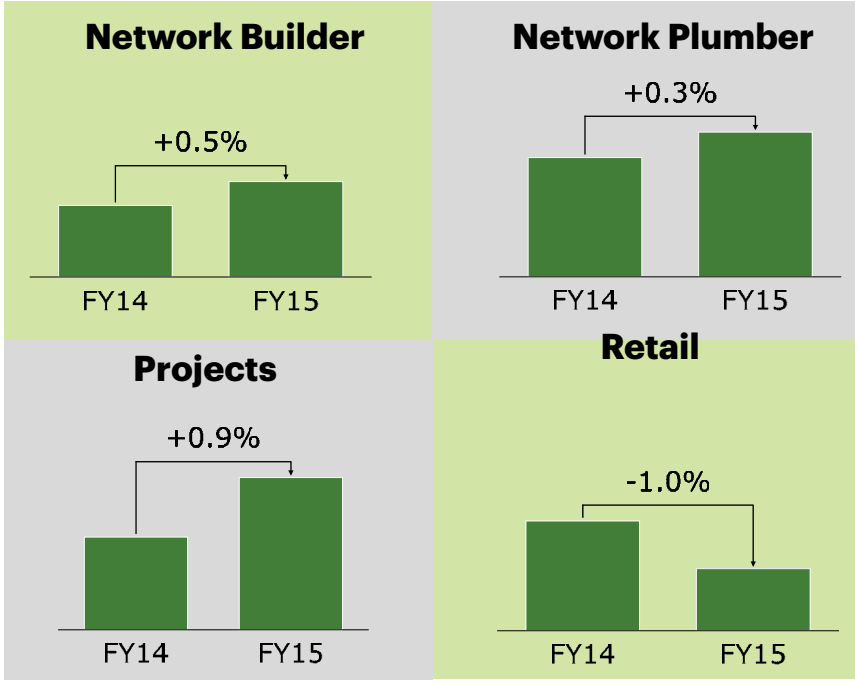
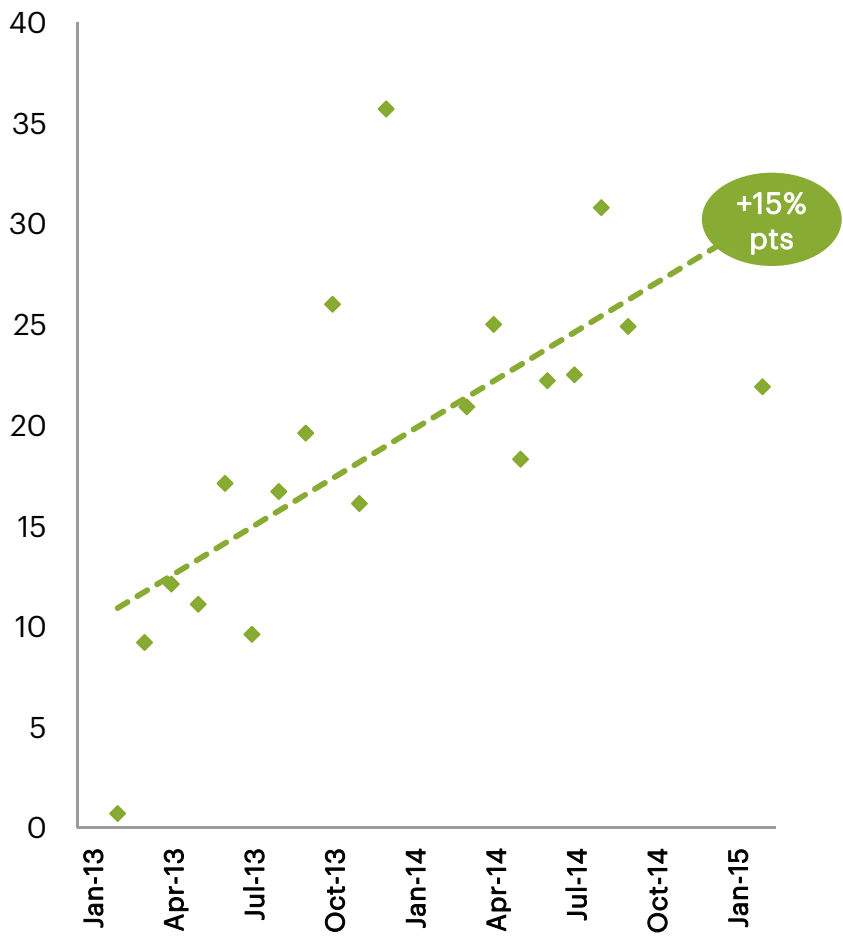


**Material growth in
Trading Margin
combined with sales
growth**



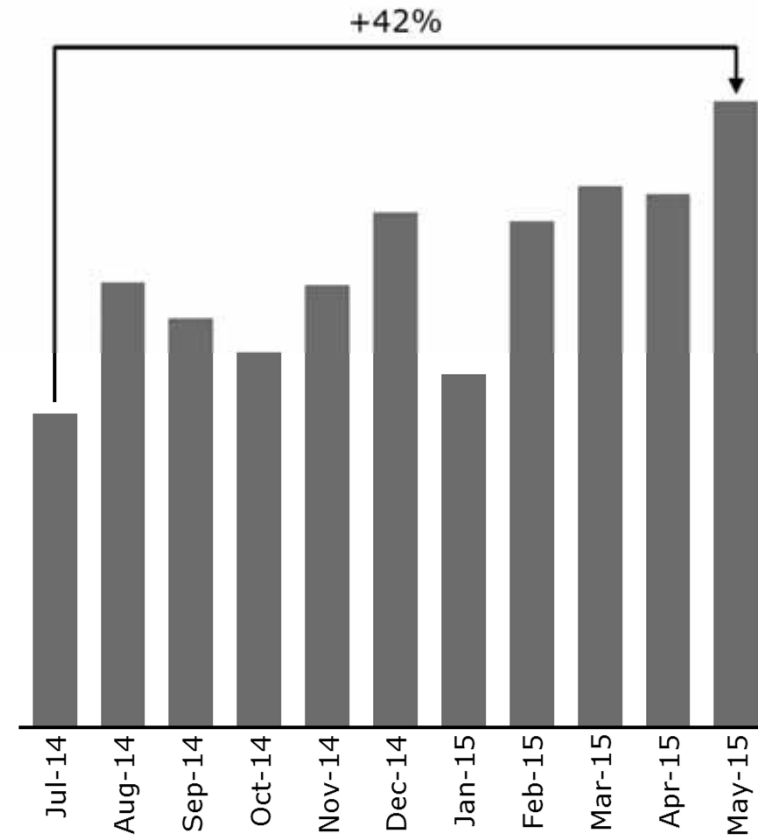
Net promoter score up 15 ppt, all target segments with market share gains

Customer Net Promoter Score



Major brand relaunch: Raymor

**Raymor Sales/Day Growth
Up 42% since start of FY15**



Innovative new products: Tradeplex (plumbing fitting systems)

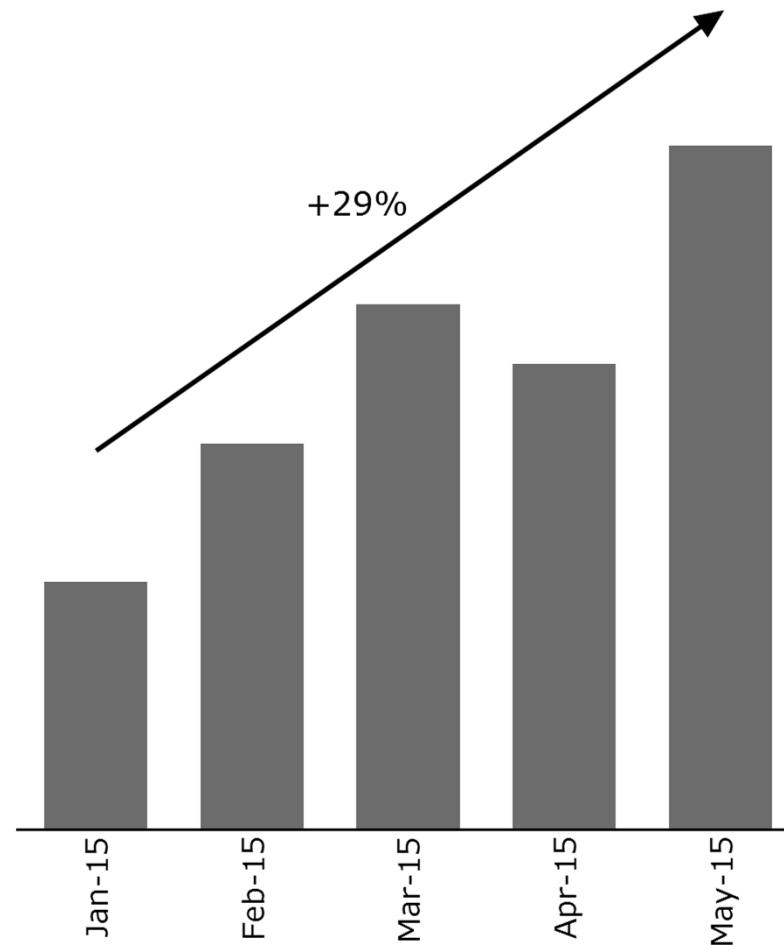
Tradeplex System

FLEXING OUR PEX FOR 6 GOOD REASONS




- 1. One fitting for gas & water**
Sleeve or crimp we've got you covered.
- 2. Easier to crimp**
No O-ring and a longer engagement.
- 3. Nice brass**
Stronger leak-proof fittings all the way.
- 4. No re-tooling needed**
You can use the approved existing tools you've got
- 5. PN20 rated.**
Highest rating with the highest pressure available.
- 6. 25 year warranty.**
Supplier backed so we've got your back.



Tradeplex Sales growing 29% month on month



Gross margin drivers: category resets to focus on care suite of brands and products

Category	Benefits of reset
<p>Hot water systems</p> 	<ul style="list-style-type: none">Consolidated national volumesMore relevant rangeGood, better, best coverage
<p>Valves</p> 	
<p>Tools</p> 	



Strategic branded partnerships



Leading brand in
Copper Press
Fittings



Leading brands in
Hot Water
Services



Leading brand
in Front of Wall
products



Leading brand
in Power Tools

All our Strategic Partnerships have significant incentives for growth that will boost earnings over and above normal trading



FY16: Transition to a new business model

		From	To
Customer		<ul style="list-style-type: none"> All things to all people 	<ul style="list-style-type: none"> Tailored value propositions for target segments
Product		<ul style="list-style-type: none"> Poorly controlled product range Not stocking the right products in the right places 	<ul style="list-style-type: none"> The right SKUs in stores, merchandised effectively Guaranteed availability
Sales & Pricing		<ul style="list-style-type: none"> Ineffective salesforce Weak pricing disciplines Complex systems, lack of compliance 	<ul style="list-style-type: none"> Disciplined sales processes New pricing model that staff and customers have confidence in
Supply chain		<ul style="list-style-type: none"> Inefficient direct-to-store supply chain Poor delivery performance 	<ul style="list-style-type: none"> New delivery model, new DCs Guaranteed 2 hour delivery and 30 min pick-up in store Material improvement in DIFOT
Suppliers		<ul style="list-style-type: none"> Too many suppliers Strained supplier relationships High cost-to-serve 	<ul style="list-style-type: none"> Category resets have streamlined and strengthened relationships Reduced COGs, and SKU levels



We have invested in deeper customer insights



We have designed compelling value propositions that reflect our customers' needs ...

Tradelink makes it **easier** to get what you want, when you need it

SME Trade






Projects






- Great stores that I love to visit
 - Fair pricing
 - The products I need are always in stock
 - Delivered on time
 - Tools to help manage my business
 - Great service in store
- Competitive pricing
 - Speedy quotes and helpful product teams
 - Help with managing my inventory
 - The product I need
 - Delivered reliably
 - Great service from my account manager



... Supported by efficient operating models

SME Trade	Projects	
Store network and delivery model	Specification, estimation teams	Project Delivery and Inventory solutions
 More efficient deliveries, lower property costs	 Compete for and win more tenders, boost sales and GM	 Streamline orders and fulfilment

Supported by a platform of changes across SME and projects

New tech platforms	More volume through DCs	Sales and Operations Planning
 Enhanced staff productivity and customer experience	 Reduced COGS	 Improved availability and stock management



We are following best practice: phased implementation



Test & Learn approach

- Quick wins demonstrate value
- Improves consistency of execution
- Minimises risk of capex wastage
- Creates "role model" stores
- Change captains share best practices
- Allows model to flex around customer and staff needs



"Big bang" roll-outs

- Limited time for scrutiny or self-correction
- Does not test true scalability of model
- Jump too fast without energising staff
- May miss local customisation needs
- Lack time to properly rewire support processes (e.g., in supply chain, systems, merch team)



Proof of concept conducted in the ACT

CALL & COLLECT  Call in your order and we'll have it ready to pick up in 30 minutes or you get a \$50 credit.*

CALL & DELIVER  Call in your order and we'll have it to you delivered within 2 hours or you get free delivery and a \$50 credit.*

EVERYDAY ESSENTIALS  We'll have everyday plumbing essentials in stock – always.



ACT: Customers and team are advocates

"All the changes we're making are going to provide a great place to work, a great place for customers, and certainly put us up there to be number one again."



Nathan Burling
Regional Manager, ACT



Nathan Brayshaw
Branch Manager, Mitchell

"The guys are extremely happy; the customers are hearing whispers about the changes we're making. There's no doubt that to be a part of Tradelink at the moment is a big thing here in Canberra."

"Positive changes to Tradelink are going to make us confident and it will sway us towards using Tradelink in the future. Our business is very likely to use Tradelink as a preferred supplier."



Craig Langdon
Duomec Mechanical Air
Conditioning



Luke Hurst
Edwards Valley Plumbing

"Walking into a Tradelink store, with an area where we can kick back, stretch the legs and enjoy a hot cup of coffee while we get our gear, is very appealing."

[VIEW VIDEO](#)



We will closely monitor our key metrics of success



Sales

- New stores
- New customer proposition
- Sales & pricing initiatives



Gross margin (%)

- New brand innovations
- Category resets
- LCC sourcing



Operating costs/store

- Store formats
- Staffing structure
- Fleet utilisation

EBIT

- Increased scale of operation

