FORSYTH BARR

NEW ZEALAND EQUITY RESEARCH | BUILDING | BUILDING CONGLOMERATE
11 NOVEMBER 2020

Fletcher Building
Make Hay While the Sun Shines

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NEUTRAL

Fletcher Building (FBU) provided a strong 4M21 trading update with EBIT up +54% as resilient construction activity and a reset cost base translated to strong earnings growth. Management remains cautious on the medium term given limited order book visibility beyond early CY21. However, we expect NZ residential to remain robust underpinned by low interest rates and tight supply. While the level of cost out evident in 4M21 was encouraging, prior initiatives have not resulted in sustained margin improvement. 1H21 guidance will be provided at the AGM on 25 November. We remain NEUTRAL, with near term momentum tempered by medium term macro uncertainty, persistant competitive pressures and execution risks.

NZX Code	FBU
Share price	NZ$5.19
Target price	NZ$5.60
Risk rating	Medium
Issued shares	821.2m
Market cap	NZ$4,262m
Avg daily turnover	1,775k (NZ$7,099k)

Financials: Jun/	20A	21E	22E	23E
NPAT* (NZ$m)	3.0	328.4	290.2	322.8
EPS* (NZc)	0.4	40.0	35.3	39.3
EPS growth* (%)	-99.2	n/a	-11.6	11.2
DPS (NZc)	0.0	14.0	25.0	28.0
Imputation (%)	n/a	100	48	50
*Based on normalised profits				

Valuation (x)	20A	21E	22E	23E
PE	n/a	13.0	14.7	13.2
EV/EBIT	29.0	8.7	9.1	8.4
EV/EBITDA	8.8	5.3	5.5	5.2
Price / NTA	1.8	1.6	1.6	1.5
Cash div yld (%)	0.0	2.7	4.8	5.4
Gross div yld (%)	n/a	3.7	5.7	6.4

What's changed?

- **EBIT:** Up +27.2%/+35.7%/+32.5% in FY21/22/23
- **Target price:** Lifted to NZ$5.60
- **Rating:** NEUTRAL rating retained

Robust NZ activity and cost out underpin strong start to the year

The four months, ended 31 October 2020, has seen construction activity remain robust vs. the gloomy scenario FBU outlined as its base case in August. Despite flattish group revenue (+1%) FBU's EBIT was up +54% on the pcp, principally due to a cost base which was resized in anticipation of lower volumes that haven't yet materialised. Revenues/EBIT in the NZ Core were up +4%/+30%, with the Concrete and Building Products divisions showing particular strength. FBU's residential division delivered 342 units of its 700–800 unit FY21 target, however, further upside beyond this target is unlikely given stock constraints. Australian EBIT was up +65% on falling revenues -6%, with FBU reaping the benefits of recent (and prior) restructuring initiatives (as well as lower depreciation with Rocla being held for sale).

Excitement tempered by uncertainty and track record

While it is encouraging to see FBU participate in the construction sectors post lockdown bounce, the activity outlook remains uncertain. FBU's forward order book is strong but only extends into early CY21, and with the non-residential pipeline thinning on both sides of the Tasman, FBU remains cautious on where 2H21 activity will land. Our thinking on FBU's earnings track (albeit from a higher base) remains unchanged; a solid FY21 supported by a robust operating environment that tempers in FY22 as activity slows and competitive pressures see FBU give back margin. We note that benefits from prior cost out initiatives have never clearly materialised into earnings, because either they were not delivered or the savings were consumed by inflation and/or margin pressures. As such, we are cautious on the sustainability of FBU's lower cost base/higher margins. We lift our our target price to NZ$5.60, driven principally by upgrades to our near term earnings forecasts. We retain a NEUTRAL rating.

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Fletcher Building (FBU)

Priced as at 10 Nov 2020 (NZ$)	**5.19**

12-month target price (NZ$)*	**5.60**
Expected share price return	7.9%
Net dividend yield	3.6%
Estimated 12-month return	11.5%

Spot valuations (NZ$)	
1. DCF	5.58

Key WACC assumptions	
Risk free rate	1.30%
Equity beta	1.31
WACC	7.5%
Terminal growth	2.0%

DCF valuation summary (NZ$m)	
Total firm value	8,090
(Net debt)/cash	(325)
Less: Capitalised operating leases	(3,179)
Value of equity	4,586

Profit and Loss Account (NZ$m)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
Sales revenue	9,307.0	7,309.0	7,820.1	7,752.0	8,097.9
Normalised EBITDA	**830.0**	**530.0**	**906.8**	**878.3**	**930.7**
Depreciation and amortisation	(199.0)	(370.0)	(354.6)	(351.4)	(360.1)
Normalised EBIT	**631.0**	**160.0**	**552.2**	**526.9**	**570.6**
Net interest	(118.0)	(149.0)	(109.4)	(105.3)	(104.8)
Associate income	0	0	0	0	0
Tax	(133.0)	4.0	(98.8)	(118.1)	(130.4)
Minority interests	13.0	12.0	15.6	13.3	12.6
Normalised NPAT	**367.0**	**3.0**	**328.4**	**290.2**	**322.8**
Abnormals/other	(203.0)	(199.0)	(90.0)	0	0
Reported NPAT	**164.0**	**(196.0)**	**238.4**	**290.2**	**322.8**
Normalised EPS (cps)	43.1	0.4	40.0	35.3	39.3
DPS (cps)	23.0	0	14.0	25.0	28.0

Growth Rates	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
Revenue (%)	-1.7	-21.5	7.0	-0.9	4.5
EBITDA (%)	>100	-36.1	71.1	-3.1	6.0
EBIT (%)	>100	-74.6	>100	-4.6	8.3
Normalised NPAT (%)	n/a	-99.2	>100	-11.6	11.2
Normalised EPS (%)	n/a	-99.2	>100	-11.6	11.2
Ordinary DPS (%)	n/a	-100.0	n/a	78.6	12.0

Cash Flow (NZ$m)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
EBITDA	**830.0**	**530.0**	**906.8**	**878.3**	**930.7**
Working capital change	(404.0)	(58.0)	(320.2)	(65.2)	(23.1)
Interest & tax paid	(156.0)	(215.0)	(175.5)	(168.5)	(321.6)
Other	(117.0)	84.0	(90.0)	0	0
Operating cash flow	**153.0**	**341.0**	**321.1**	**644.6**	**585.9**
Capital expenditure	(348.0)	(240.0)	(200.0)	(300.0)	(425.0)
(Acquisitions)/divestments	1,262.0	6.0	0	0	0
Other	0	(171.0)	(163.7)	(156.8)	(150.1)
Funding available/(required)	**1,067.0**	**(64.0)**	**(42.6)**	**187.8**	**10.9**
Dividends paid	(68.0)	(128.0)	0	(221.7)	(213.5)
Equity raised/(returned)	(81.0)	(147.0)	0	0	0
(Increase)/decrease in net debt	**918.0**	**(339.0)**	**(42.6)**	**(33.9)**	**(202.6)**

Balance Sheet (NZ$m)	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
Working capital	1,384.0	1,158.0	1,305.2	1,284.3	1,309.4
Fixed assets	1,754.0	1,555.0	1,579.7	1,696.6	1,919.4
Intangibles	1,129.0	1,133.0	1,133.0	1,133.0	1,133.0
Right of use asset	0	1,413.0	1,326.0	1,244.4	1,167.8
Other assets	817.0	1,317.0	1,218.2	1,100.2	1,126.0
Total funds employed	**5,084.0**	**6,576.0**	**6,562.1**	**6,458.4**	**6,655.6**
Net debt/(cash)	325.0	687.0	671.9	656.4	826.7
Lease liability	0	1,549.0	1,477.6	1,407.4	1,338.7
Other liabilities	586.0	633.0	460.0	374.0	376.0
Shareholder's funds	4,141.0	3,500.0	3,745.6	3,813.6	3,907.3
Minority interests	32.0	35.0	35.0	35.0	35.0
Total funding sources	**5,084.0**	**6,404.0**	**6,390.1**	**6,286.4**	**6,483.6**

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Valuation Ratios	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
EV/EBITDA (x)	6.0	8.8	5.3	5.5	5.2
EV/EBIT (x)	7.8	29.0	8.7	9.1	8.4
PE (x)	12.0	>100x	13.0	14.7	13.2
Price/NTA (x)	1.5	1.8	1.6	1.6	1.5
Free cash flow yield (%)	-4.6	2.4	2.8	8.1	3.8
Net dividend yield (%)	4.4	0.0	2.7	4.8	5.4
Gross dividend yield (%)	4.4	n/a	3.7	5.7	6.4

Capital Structure	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
Interest cover EBIT (x)	5.3	1.1	5.0	5.0	5.4
Interest cover EBITDA (x)	7.0	3.6	8.3	8.3	8.9
Net debt/ND+E (%)	7.3	16.4	15.2	14.7	17.5
Net debt/EBITDA (x)	0.4	1.3	0.7	0.7	0.9

Key Ratios	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
Return on assets (%)	8.2	1.8	6.3	6.0	6.5
Return on equity (%)	8.9	0.1	8.8	7.6	8.3
Return on funds employed (%)	8.8	6.2	9.3	7.8	8.2
EBITDA margin (%)	8.9	7.3	11.6	11.3	11.5
EBIT margin (%)	6.8	2.2	7.1	6.8	7.0
Capex to sales (%)	3.7	3.3	2.6	3.9	5.2
Capex to depreciation (%)	175	65	56	85	118
Imputation (%)	0	n/a	100	48	50
Pay-out ratio (%)	53	0	35	71	71

Operating Performance	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**
External revenue (NZ$m)					
New Zealand	5,220	4,466	5,503	5,421	5,472
Australia	2,944	2,740	2,613	2,605	2,895
Rest of World	1,143	103	(297)	(274)	(270)
Total external revenue	**9,307**	**7,309**	**7,820**	**7,752**	**8,098**
EBIT (NZ$m)					
Concrete	84	74	108	97	90
Building Products	160	87	153	141	131
Distribution	104	85	110	94	89
Steel	0	0	0	0	0
Construction	47	(147)	32	53	59
Residential / Land Developm't	137	65	129	113	130
Australia	57	33	76	84	129
Divested	82	0	0	0	0
Corporate / other	(40)	(37)	(55)	(56)	(57)
Total EBIT	**631**	**160**	**552**	**527**	**571**
EBIT (NZ$m)					
New Zealand	467	110	467	428	426
Australia	54	42	69	77	122
Rest of World	110	8	17	22	22
Total EBIT	**631**	**160**	**552**	**527**	**571**

Trading update: A solid 4M21

FBU delivered a positive trading update regarding the first four months of FY21, with group revenues/EBIT up +1%/+54% on the pcp. Unsurprisingly, FBU has experienced supportive conditions in New Zealand with the residential sector being particularly strong. Revenues/EBIT in the NZ Core were up +4%/+30% driven by strength in the Concrete and Building Products divisions. Australian EBIT was up +65% on falling revenues -6%, with FBU reaping the benefits of recent cost-out initiatives (as well as lower depreciation with Rocla being held for sale which we estimate is a c.NZ$4m benefit) despite softer demand in the civil segment and COVID-19 restrictions in VIC.

Looking forward, customers are pointing to volumes remaining at current levels through the start of CY21 but FBU does remain somewhat cautious on 2H21 noting risks remain around the construction sector's medium term trajectory given the highly uncertain macro outlook.

Segment specific comments:

- **Residential:** Demand for housing has been strong with FBU delivering 342 units to date with more than half being 4Q20 settlements that were delayed. FBU reiterated its expectation for 700–800 house sales for the full year. Further upside beyond its goal is limited given stock/land constraints.
- **Distribution:** FBU's frame and truss plants are booked to capacity until end of CY20, and the beginning of next year is “looking ok”. FBU have little visibility beyond that, hence, are cautious of 2H21.
- **Construction:** Earnings were +NZ$3m vs. the pcp, with FBU rebalancing work towards a lower-risk model involving government alliance projects. FBU has NZ$600m of zero margin construction work to complete in FY21.
- **Australia:** Softer demand in civil alongside VIC’s lockdown led to lower revenues, although cost out benefits saw earnings lift strongly.
- **Rocla:** Sale process is going as planned and in two parts with the land and business being sold individually. No further asset sales are envisaged at this time.
- **Corporate costs:** FBU still expects c.NZ$55m in corporate costs for FY21. It is currently accruing for short term incentives with plans to resume staff bonuses.

Figure 1. Four months to 31 October 2020

($m)	Gross revenue			EBIT (exl. Significant items)			EBIT margin		
	4M20	4M21	Change %	4M20	4M21	Change %	4M20	4M21	Change %
Concrete	271	287	6%	33	43	32%	12.1%	15.1%	3.0%
Building Products	448	465	4%	54	72	32%	12.1%	15.4%	3.3%
Distribution	559	575	3%	35	43	24%	6.3%	7.5%	1.2%
NZ Core	**1,278**	**1,327**	**4%**	**122**	**158**	**30%**	**9.5%**	**11.9%**	**2.4%**
Residential and Development	123	233	90%	21	43	108%	16.9%	18.6%	1.7%
Construction	503	425	-15%	0	3	n.a.	0.0%	0.7%	0.7%
Australia	1,026	967	-6%	24	39	65%	2.3%	4.0%	1.7%
Intercompany and other	(247)	(254)	-3%	-20	-16	15%	n.a.	n.a.	n.a.
Group (external revenue)	**2,683**	**2,698**	**1%**	**147**	**227**	**55%**	**5.5%**	**8.4%**	**2.9%**

Source: Forsyth Barr analysis

Earnings and price target changes

Yesterday's announcement is not surprising given strong NZ residential activity and robust building consent numbers post lockdown. It is also encouraging to see cost out programmes delivering EBIT improvement. Delivery of cost out provided a large upside surprise to our prior expectations. We note that benefits from prior cost out initiatives have never clearly materialised into earnings, because either they were not delivered or the savings were consumed by inflation and/or margin pressures. As such, we are cautious on the sustainability of FBU's lower cost base/higher margins. Our channel checks suggest cost out has impacted key customer service levels and competitive pressures have not abated.

We lift our estimates to reflect 1) slightly better NZ residential demand, 2) higher sales and margins in the residential business, and 3) fixed cost out. Given the strong bounce out of lockdown in NZ we still expect some easing of activity in FY22 largely driven by non-residential. Our earnings changes lift our 12-month target price to NZ$5.60/share. Based on our revised estimates FBU is currently trading on a 12-month forward P/E of 13.8x, broadly in line with its long run average. We retain our NEUTRAL rating.

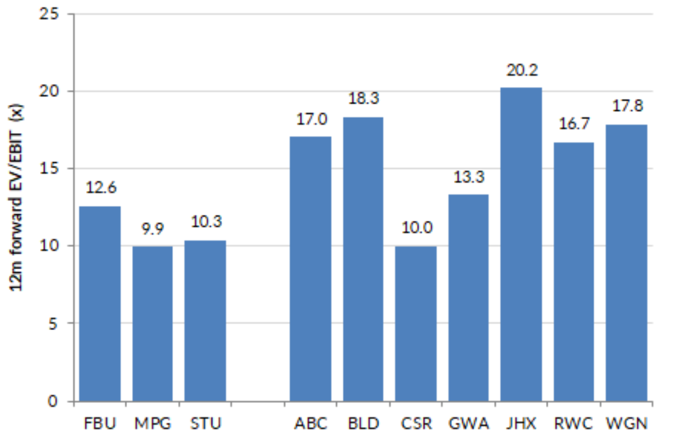
FBU will provide 1H21 guidance at its ASM on the 25th of November. Based on current run rates we estimate 1H21 EBIT could be c.NZ$290–320m. Our forecasts assumes some slowing in activity over 2H21 and some cost returning to the business to support higher than expected volumes.

Figure 2. Estimate changes

	FY21E			FY22E			FY23E		
NZ$m	**Old**	**New**	**% chg**	**Old**	**New**	**% chg**	**Old**	**New**	**% chg**
Revenue	7,713	7,820	1.4%	7,612	7,752	1.8%	7,955	8,098	1.8%
EBITDA	789	907	15.0%	740	878	18.8%	791	931	17.7%
EBIT	434	552	27.2%	388	527	35.7%	431	571	32.5%
Underlying NPAT	244	328	34.8%	191	290	51.7%	223	323	44.8%
Underlying EPS (cps)	29.7	40.0	34.8%	23.3	35.3	51.7%	27.2	39.3	44.8%
Dividend (cps)	18.0	14.0	-22.2%	17.0	25.0	47.1%	20.0	28.0	40.0%

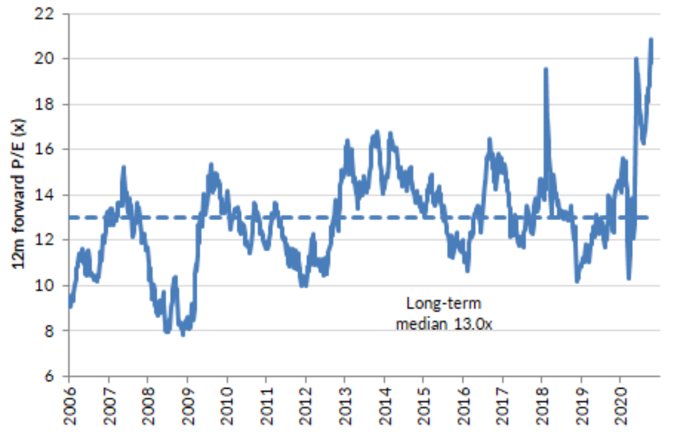
Source: Forsyth Barr analysis

Figure 3. 12m fwd EV/EBIT (consensus)



Source: Forsyth Barr analysis, Bloomberg

Figure 4. FBU 12m fwd P/E (consensus)



Source: Forsyth Barr analysis, Bloomberg

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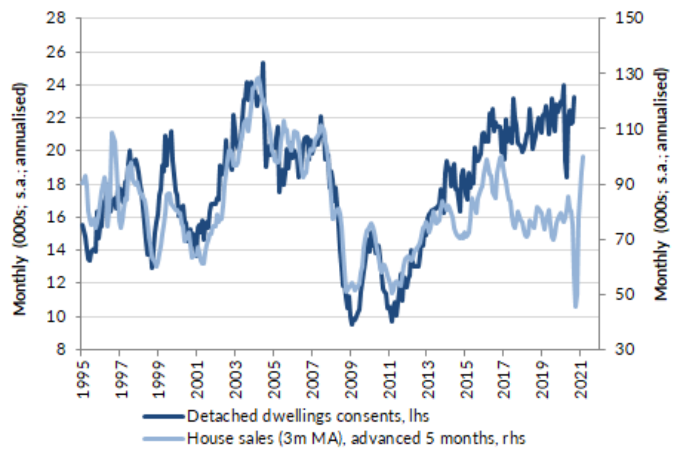
What has driven the upgrade

1. Resilient NZ demand

Compared to FBU's August expectations (FY21 residential consents -30%, non-residential activity -15%, and infrastructure activity -10%) NZ construction activity has remained robust and looks to remain relatively resilient through the medium-term supported by record low interest rates, tight housing supply, and government investment in housing, health, education, and infrastructure. While the commercial construction pipeline has thinned somewhat, it appears to have stabilised and may even be turning a corner.

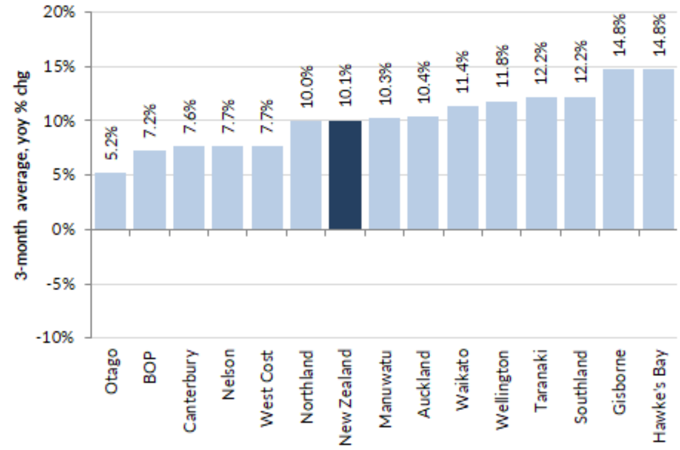
- There has been a notable pick-up in housing market activity (Figure 5), historically an effective lead indicator for building consents and construction activity, driven by low interest rates and tight inventory (Figures 7 and 8). House sales are up +30% yoy over the three months to September, inventory is down -20%, prices are up +10% yoy, and days to sell has decreased -4 days yoy to 32 vs. its long-term average of 38.
- Industry sentiment has rebounded post lockdown. As an example, the most recent ANZ Business Outlook survey in October had expectations for residential at net +14 following a few deeply negative months (contraction <0< expansion), and commercial +19, with firms' own activity outlook +9%. These reads are consistent with our robust near-term expectation.
- There have been a number of industry surveys and announcements suggesting the non-residential pipeline is thinning e.g. ANZecdotes and NZ listed property companies. This is consistent with our discussions with industry participants. That said, non-residential consents appear to have stabilised; past 3 months' value consented up +12% yoy but floor area -8%.

Figure 5. Housing turnover vs. residential consents



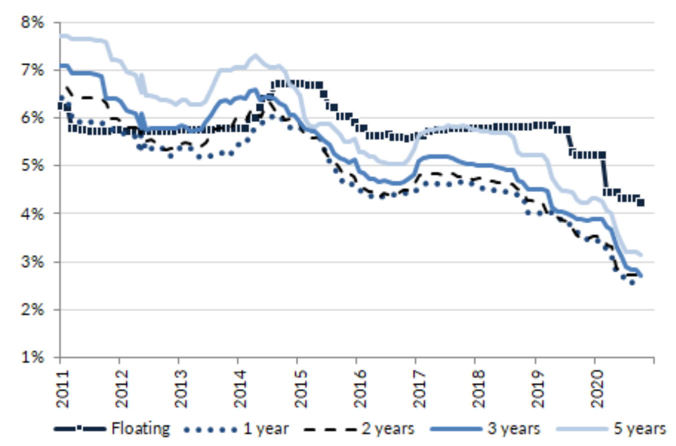
Source: Stats NZ, REINZ, Forsyth Barr analysis

Figure 6. House prices



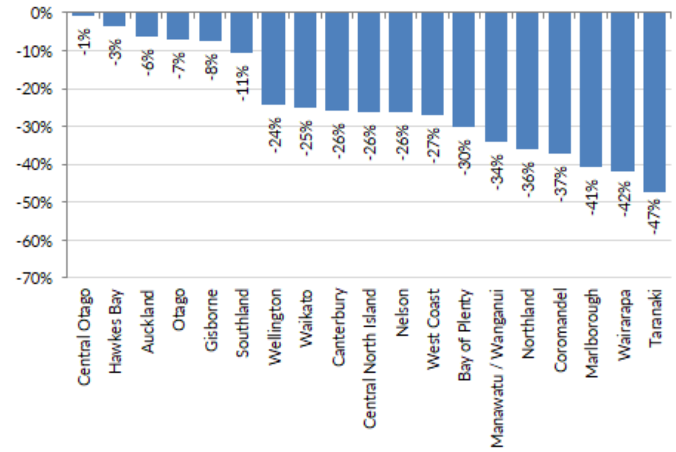
Source: REINZ, Forsyth Barr analysis

Figure 7. Residential mortgage rates



Source: interest.co.nz, Forsyth Barr analysis

Figure 8. Inventory of properties for sale (change yoy)



Source: realestate.co.nz, Forsyth Barr analysis

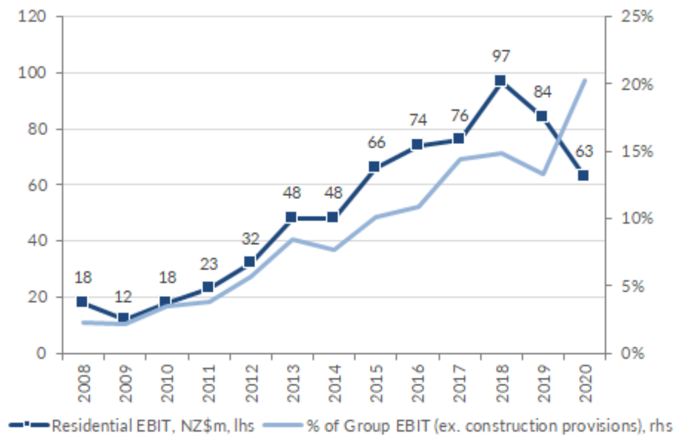
2. A strong Auckland housing market

Over the past decade FBU's Auckland-focussed Fletcher Living residential construction business has been supported by the dual forces of increasing demand and rising house prices. This has significantly lifted its importance to group earnings.

The Auckland housing market is strong. Sales volumes are up +45% yoy (over the three months to September), inventory is down -6%, prices are up +10% yoy, and days to sell has decreased -3 days yoy to 36 and is back in line with its long-term average of 35. We expect this to be supportive of Fletcher Living's volume and margins. In FY20 FBU sold c.750 houses and with the the majority of its sales priced NZ$600–900k, FBU's product is attractively priced. FBU expects 700–800 house sales in FY21 and has previously targeted growing volumes to 1,000 houses a year — a +10% change in volume would lift EBIT by c.NZ$10m. Given the pace of house price increases we believe margin gains are likely — a +1% change in margin would lift EBIT by c.NZ$5m.

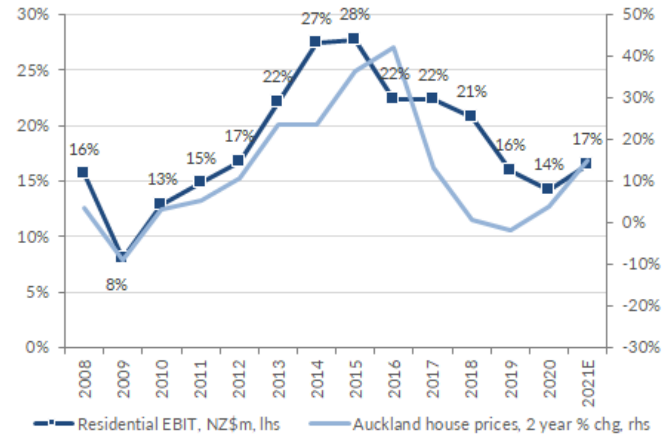
One negative is minimal margin contribution from FBU's Canterbury developments (c.20% of units sold) — in FY18 it provided for an NZ$12m loss on its Atlas Quarter apartment developments which were completed in FY20, and demand appears to be challenging for its inner city projects where a number of its completed units remain unsold. Rising Canterbury demand (house prices +8% yoy) may help FBU clear this volume.

Figure 9. Fletcher Living EBIT vs. Group EBIT



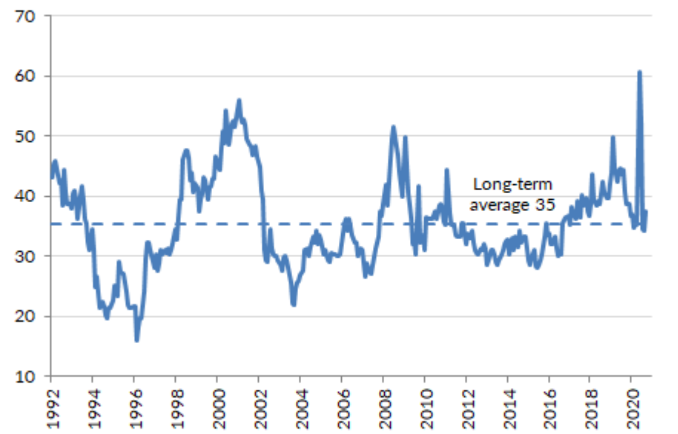
Source: Company reports, Forsyth Barr analysis

Figure 10. Fletcher Living EBIT margin vs. Auckland house prices



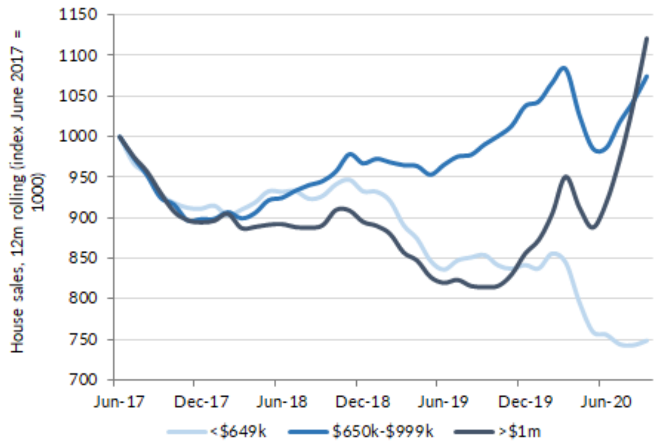
Source: Company reports, REINZ, Forsyth Barr analysis

Figure 11. Auckland existing house days to sell



Source: REINZ, Forsyth Barr analysis

Figure 12. Auckland existing house sales



Source: REINZ, Forsyth Barr analysis

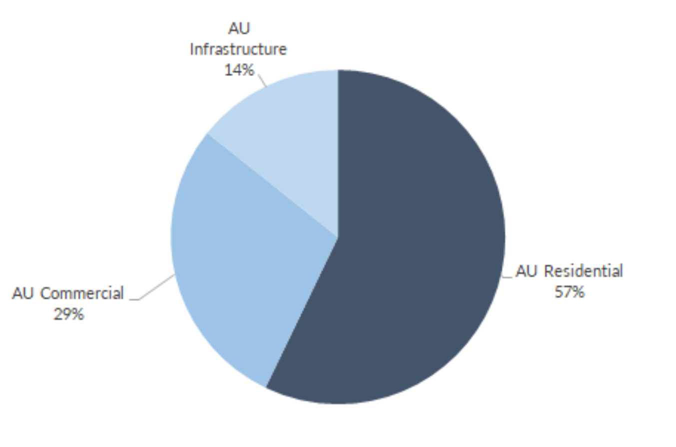
3. Australia

Like NZ, with revenue -6% yoy YTD Australian residential activity has also been more resilient than FBU's August expectations — which were FY21 residential consents -30%, non-residential activity -15%, and infrastructure activity -10%. While record low interest rates, stabilisation of house prices, and government stimulus bode well for detached housing, closed borders and lower inner city rents present challenges for the apartment construction pipeline. Commercial construction is expected to contract with accommodation, retail, and education the worst hit sectors. As part of its economic stimulus plans, the Australian Government has fast-tracked infrastructure investment.

- In the September quarter residential approvals are up +6% yoy, with detached dwellings +11% and multi -7%.
- Government stimulus has driven a significant pick-up in demand for new residential housing. Mirvac and Stockland have seen land sales double and new home sales in September were +29.1% yoy. This is flowing through to building materials with Brickworks reporting orders and sales increased in September across most businesses.
- Australian house prices appear to have found a support level, with October seeing Sydney, Brisbane, Adelaide and Perth all registering month-on-month house price increases. Melbourne house prices ticked down slightly in October, but the rate of change (-0.2%) was an improvement on recent months. Despite a soft few months following rolling lockdowns, the combined capitals house price index remains up +3.6% yoy.
- The value of non-residential approvals are down -17% yoy over the six-months to September.
- FBU's trading update is in line with peer CSR who saw revenue -5% yoy in 1H21 and -6% in the first 4 weeks of the 2H21 [October].

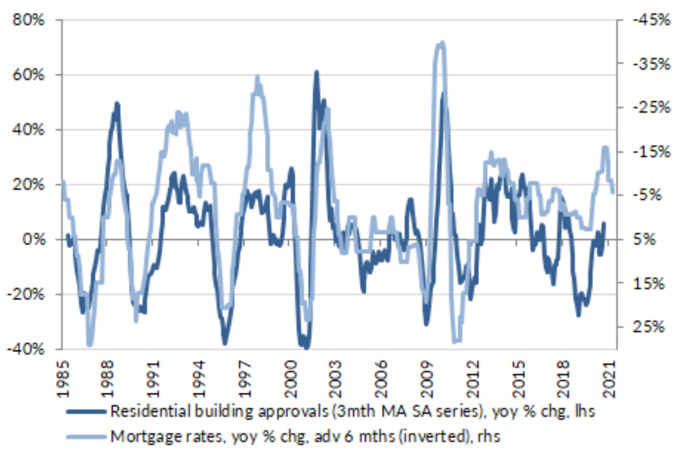
FBU's Australian divisional revenue has tracked broadly in line with our expectations with cost savings being the key surprise with this trading update. Historically, FBU's Australian targets have not been easy to achieve. Australian disappointment has been a key driver of downgrades to analyst forecasts.

Figure 13. Australia revenue drivers (FY20)



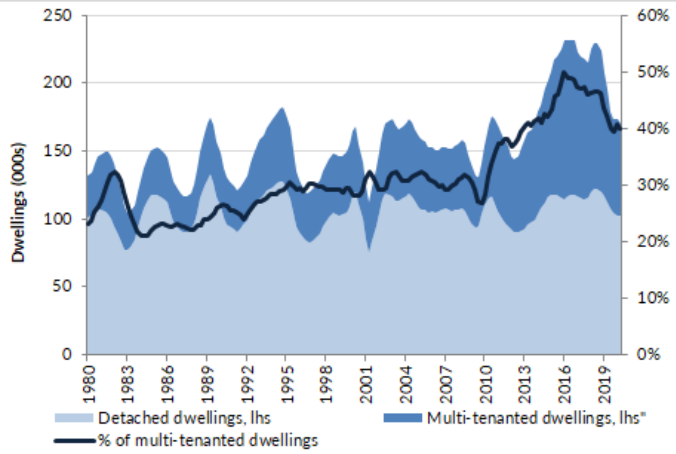
Source: Company reports, Forsyth Barr analysis

Figure 14. Residential approvals vs. mortgage rates (inv)



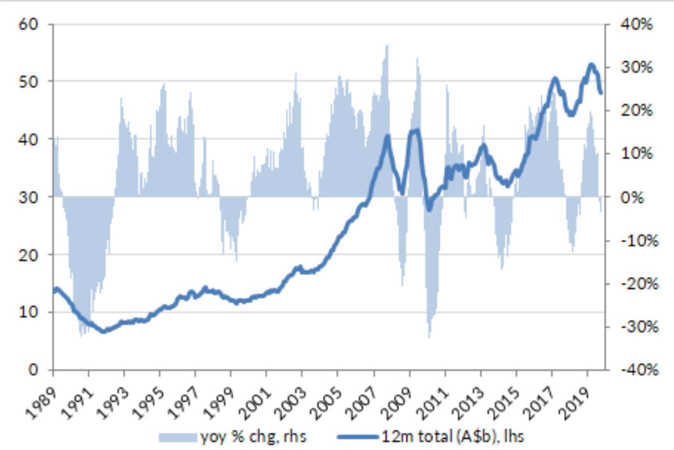
Source: ABS, RBA, Forsyth Barr analysis

Figure 15. Australia starts — multi % of total



Source: ABS, Forsyth Barr analysis

Figure 16. Value of Australian non-residential consents (A$bn)



Source: ABS, Forsyth Barr analysis

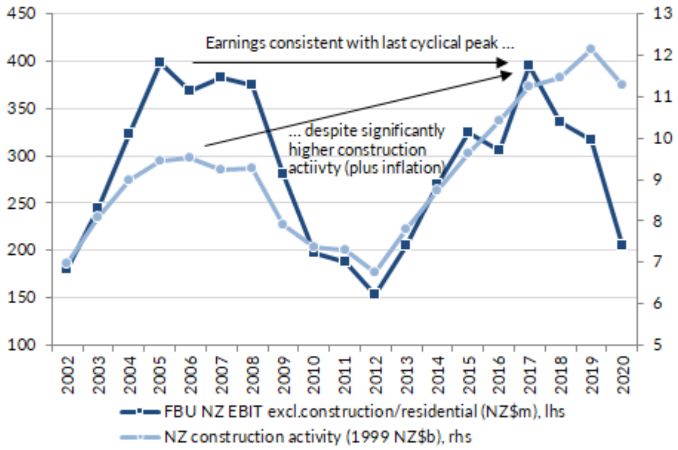
4. Cost savings

A key plank of FBU's pandemic response has been cost reduction. With its FY20 results, FBU stated it had reset its cost base in anticipation of a -25% reduction in NZ activity and a -20% decline in Australia and guided to NZ$300m of gross costs savings to be realised in FY21 driven by reductions in headcount (1,500 redundancies) and operational footprint. These cost saving were evenly split between fixed and variable costs as well as COGS and SG&A.

With FY21 volumes much better than FBU expected at the time of these cost reductions, it is likely variable cost savings are not realised in our view. However, FBU are confident fixed cost out will drop through to earnings. This trading update suggests cost savings are indeed supporting earnings, near-term at least.

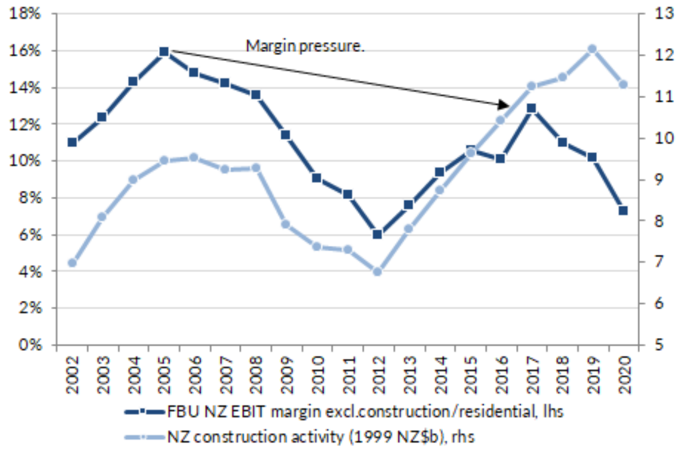
FBU has been focussed on cost out for a sustained period (albeit under the previous CEO). "FBUnite", introduced in 2013, aimed to deliver NZ$75–100m of benefits. In 2016 FBUnite morphed into "Accelerate" and a "Transformation Office" was established to oversee the programme, with cost reduction one of its key initiatives. In Australia as part of its 2018 target to double margins in four-years time FBU's P100 initiative aimed to remove NZ$100m of costs. Benefits from these actions, however, have never clearly materialised into earnings, because either they were not delivered or the savings were consumed by inflation and/or margin pressures. Competitive and inflationary pressures are unlikely to have abated. We are cautious on the sustainability of FBU's post COVID-19 lower cost base/higher margins. Our channel checks suggest cost out has impacted key customer service levels and competitive pressures have not abated.

Figure 17. NZ EBIT vs. construction activity



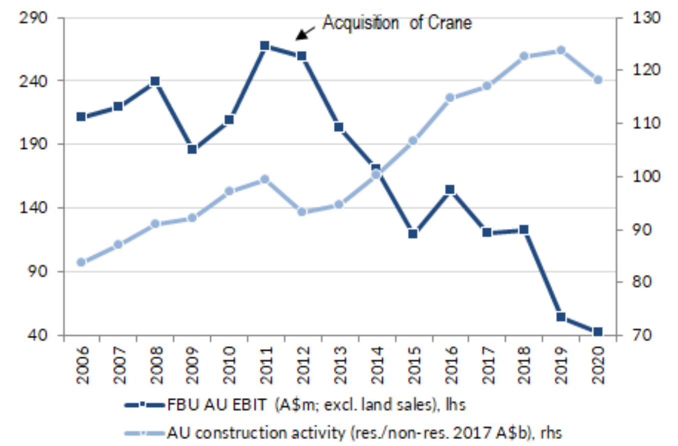
Source: Company reports, Forsyth Barr analysis

Figure 18. NZ EBIT margin vs. construction activity



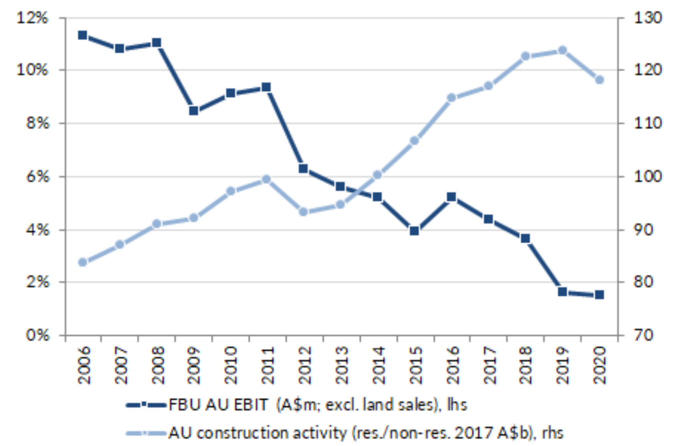
Source: Company reports, Forsyth Barr analysis

Figure 19. Australia EBIT vs. construction activity



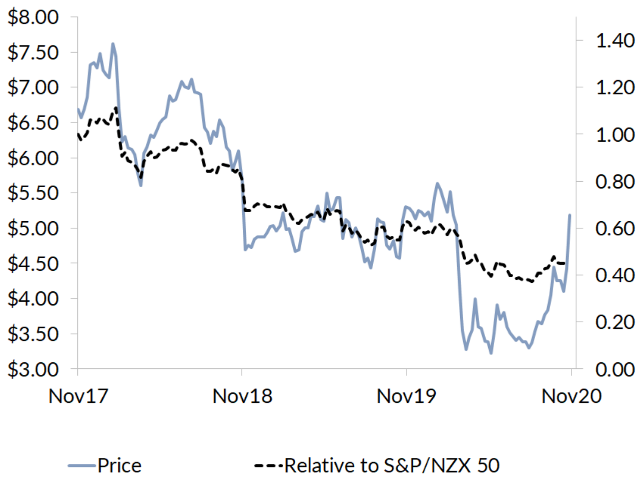
Source: Company reports, Forsyth Barr analysis

Figure 20. Australia EBIT margin vs. construction activity



Source: Company reports, Forsyth Barr analysis

Figure 21. Price performance



Source: Forsyth Barr analysis

Figure 22. Substantial shareholders

Shareholder	Latest Holding
Perpetual	10.0%
Schroder Investment Management Group	8.3%
Commonwealth Bank of Australia	6.0%
The Vanguard Group	5.6%
Allan Gray Group	5.1%

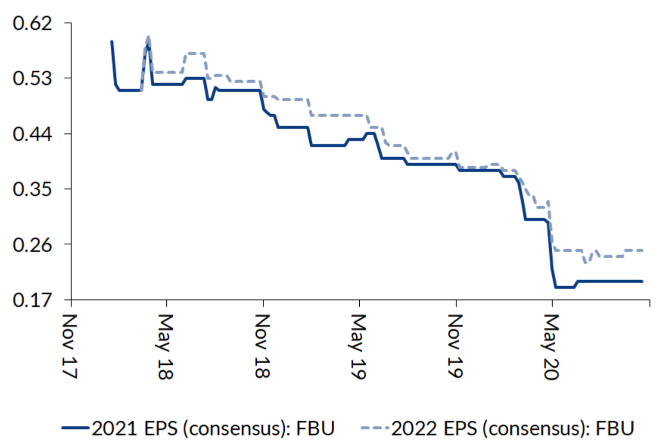
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 23. International valuation comparisons

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash Yld
(metrics re-weighted to reflect FBU's balance date - June)			(m)	2021E	2022E	2021E	2022E	2021E	2022E	2022E
Fletcher Building	**FBU NZ**	**NZ$5.19**	**NZ$4,262**	**13.0x**	**14.7x**	**5.5x**	**5.6x**	**9.0x**	**9.4x**	**4.8%**
METRO PERFORMANCE GLASS	MPG NZ	NZ$0.37	NZ$69	17.3x	22.6x	6.0x	6.7x	15.4x	18.0x	0.3%
STEEL & TUBE HOLDINGS *	STU NZ	NZ$0.62	NZ$103	30.4x	15.0x	3.6x	3.2x	9.8x	6.8x	4.8%
ADBRI	ABC AT	A$3.22	A$2,100	21.1x	21.0x	10.4x	10.3x	17.2x	17.1x	3.7%
BORAL	BLD AT	A$5.11	A$6,257	28.5x	20.8x	10.1x	9.2x	22.5x	19.0x	2.9%
CSR	CSR AT	A$4.74	A$2,298	16.2x	17.1x	7.4x	7.7x	10.6x	11.4x	3.8%
WAGNERS HOLDING CO	WGN AT	A$1.44	A$270	n/a	24.4x	11.3x	10.2x	22.5x	19.2x	1.9%
GWA GROUP	GWA AT	A$2.73	A$721	18.1x	16.4x	11.6x	10.4x	14.9x	13.1x	4.7%
JAMES HARDIE INDUSTRIES-CDI	JHX AT	US$26.93	US$11,955	27.9x	24.6x	17.9x	16.2x	22.1x	19.8x	2.1%
REECE	REH AT	A$14.07	A$9,089	35.8x	33.1x	16.1x	15.5x	24.6x	23.2x	1.3%
CRH PLC	CRH ID	€32.02	€25,136	16.3x	14.8x	8.3x	7.9x	13.5x	12.4x	2.6%
LAFARGEHOLCIM-REG	LHN SW	CHF42.90	CHF26,423	13.6x	11.9x	6.4x	6.0x	10.5x	9.5x	4.8%
			Compco Average:	**22.5x**	**20.2x**	**9.9x**	**9.4x**	**16.7x**	**15.4x**	**3.0%**
EV = Current Market Cap + Actual Net Debt			**FBU Relative:**	**-42%**	**-27%**	**-45%**	**-40%**	**-46%**	**-39%**	**60%**

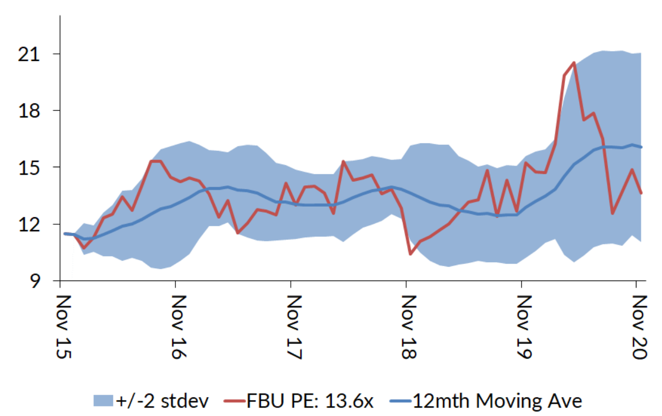
Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (FBU) companies fiscal year end

Figure 24. Consensus EPS momentum (NZ$)



Source: Forsyth Barr analysis

Figure 25. One year forward PE (x)



Source: Forsyth Barr analysis

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