

Company of the Year

Fletcher Building

HAMMERING HOME A GREAT RESULT

Strong foundations, high expectations and a growing sense of opportunity – that’s how Fletcher Building describes its ethos. Market analysts see it as a well-crafted company with a clear sense of its identity and direction.

That direction has been steadfastly up since Fletcher Building (FBL) split from parent company Fletcher Challenge in 2001 and listed on the New Zealand, Australian and New York stock exchanges in its own right.

The company increased its revenue by nearly nine percent in the year to June 2003 to \$3.22 billion and improved its after tax profit from \$93 million to \$168 million giving it fourth ranking in our Top 200 list of biggest profitmakers.

While Fletcher Building’s history in New Zealand dates back to the 19th century and the Fletcher name has been synonymous with building Kiwi homes, offices and public projects since the Fletcher Construction Company was first floated in 1919, today’s company firmly straddles the Tasman.

Last year it acquired Australian building products group Laminex – a company that makes and distributes premium decorative surfaces with six production facilities across Australia and one in New Zealand. The purchase contributed \$44 million to FBL earnings this year and added another 2000 or so Australians to its payroll. The company has also now completed the purchase of Sydney-based Tasman Building Products, makers of steel roof tiles and Pink Batts roof insulation, giving the company even more exposure to a residential building market five times larger than New Zealand’s.



Auckland City Hospital, Fletcher Building’s latest Auckland project.

Both purchases are in line with the company’s strategic objective to combine its knowledge of the building industry with geographic diversity. Expansion in Australia decreases earnings volatility and provides a path for future growth. Following the Laminex purchase, FBL chief executive officer Ralph Waters, himself an Australian, said consideration of investment opportunities outside New Zealand had been limited to Australia “because of the cultural fit and the fact that the operating environment there is familiar to us”.

Company activities are in five broad areas: concrete, distribution (PlaceMakers outlets operate on a joint-venture basis with FBL), laminates and panels, building products, and construction. All benefited from buoyant housing and construction markets on both sides of the Tasman.

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However, the company isn't taking a free ride on favourable market conditions. Apart from making very considered acquisitions to spread its market footprint, it has been focused on operational improvements to give its various divisions "a greater degree of business fitness", according to Waters.

And while new and existing businesses are undergoing consolidation, activities regarded as non-core are being sold.

With around 7000 employees in New Zealand, FBL is the country's second largest commercial employer. It employs another 1000 workers in the Pacific Islands and South America. Its focus on high-performing leadership and work-life balance

initiatives (including an award-winning early childhood care and education centre in Auckland) are helping to build its reputation as an employer of choice.

A general staff share scheme launched last year aims to help align staff and shareholder interests; senior management also have to commit a percentage of their remuneration to FBL share acquisition.

In terms of governance, the list of board members reads like a who's who of New Zealand's best directors. The company's shares have been steadily trending up but are still regarded as relatively undervalued by the market. **M**

JUDGES' COMMENTS

WINNER

FLETCHER BUILDING

The booming property market in New Zealand and Australia may have helped, but this year Fletcher Building hammered home the results everyone has been looking for and which its new management team started to build for the business last year. By implementing an excellent change management strategy the company got itself ready to capitalise on the dramatic upturn in the home building and renovation market. Management this year doubled the size of the business and simultaneously built profitability and shareholder equity. This year's performance isn't just a face-lift – it is a complete makeover and re-piling for the future. Fletcher Building performed at the top end of every criterion set for this award. The company's performance is an example of how a well-led management team can attract market backing for a thoroughly considered growth and expansion strategy. The company now looks set to succeed in the economies on both sides of the Tasman.

FINALISTS

CAVALIER CORPORATION

There is nothing quite like a homegrown success story and few have been more cleverly woven than Cavalier's. This traditional New Zealand industry is an icon, making carpets for markets all around the world. And this year Cavalier's outstanding and sustained commercial performance has come to full realisation. Over the past 10 years the company's management has been

taking the important decisions like closing down Cavalier's costly wool trading operations and now its management of capital is top quality. Last year the company increased sales 17 percent and grew profits by almost 40 percent. In the past two years Cavalier's management and financial performance has been outstanding. With a return on equity of 31 percent and an increase in earnings per share of almost 50 percent this year, it's little wonder investors see Cavalier's shares as being as attractive as its carpets.

FISHER & PAYKEL APPLIANCES

Fisher & Paykel, in its various forms, appears regularly in the list of finalists and winners at the Deloitte/*Management* magazine Top 200 awards. That is because this is a consistently outstanding enterprise. The Appliances business, that now stands apart from the company's healthcare products, turned in another outstanding result this year and things look good for the year ahead with record export sales of its new laundry products predicted. The company's international strategy is based on a total commitment to research and development and through it, manufacturing innovative home appliances which are recognised worldwide. The company has battled toe-to-toe with many of its global competitors and in some instances competitors have capitulated. Others, like Whirlpool, have joined forces with F&P to create international marketing alliances. The company does it the F&P way – never taking much notice of management fads and building a unique people culture that delivers both unbeatable products and enviable financial results.

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