



## Fletcher Building Shares Jump on Smaller-Than-Expected Loss

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By Tracy Withers



Aug. 12 (Bloomberg) -- **Fletcher Building Ltd.**, the world's biggest maker of laminated building board, is headed for its best gain in more than three months in Wellington trading after posting a smaller-than-estimated loss.

Fletcher had a NZ\$46 million (\$31 million) loss in the 12 months ended June 30, less than the average NZ\$73 million **estimate** of four analysts collated by Bloomberg. The stock rose 34 cents, or 4.8 percent, to NZ\$7.36 at 12:30 p.m. in Wellington.

Fletcher is cutting jobs and restricting investment as slumping housing markets at home and abroad reduce demand for its Formica bench tops, wallboard, concrete, insulation and roofing steel. The company focused on controlling costs and maximizing cash flow as the global construction market slowed, ensuring that full-year operating earnings

were also better than analysts predicted.

"Despite being in the throes of a dire housing cycle, the company was still able to record stable revenue and sold operating earnings," said Nick Dravitzki of **New Zealand Funds Managements Ltd.** in Auckland.

The full-year loss was after NZ\$360 million of charges including costs from firing 2,500 workers and closing plants in **New Zealand, Australia and Spain**. There was also NZ\$140 million written off the value of Cincinnati-based Formica, bought in 2007, while a NZ\$60 million tax benefit from the purchase was also written off.

### Residential Construction

Excluding one-time items, **net income** fell 33 percent to NZ\$314 million. In April, it said profit before costs would be between NZ\$289 million and NZ\$436 million compared with NZ\$467 million a year earlier.

Sales rose 0.2 percent to NZ\$7.1 billion, Fletcher said today. The company will pay a second-half dividend of 14 cents.

Driving down earnings, residential construction slowed in all key markets, falling 40 percent in New Zealand, 34 percent in the U.S. and 49 percent in the U.K., the company said.

"There is no place to hide when volumes fall as sharply as they have," Chief Executive Officer **Jonathan Ling** said on a conference call today. "Fundamentally, the company is in good shape."

The company responded by cutting costs, increasing operating cash flow by 23 percent and reducing net debt to 31 percent of equity from 40.1 percent a year earlier. It has frozen salaries and director's fees, and will reduce capital spending over the next year.

Costs will be kept under review because lower levels of construction could continue for some time, Ling said.

"Most markets are expected to record continuing low levels of activity relative to recent years," he said. "This will be particularly noticeable in the first half."

The company said it was too early to provide a forecast for the current year.

Fletcher's steel unit was the only one of five divisions to increase operating earnings. Higher prices and supply shortages underpinned a 52 percent gain in earnings before interest, tax and one-time items.

Earnings from the building products, distribution, laminates and infrastructure units all declined.

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