

A large-scale industrial construction project is shown against a clear blue sky with scattered clouds. In the foreground, two construction workers wearing orange safety vests and red hard hats stand on a white metal platform with railings. They are positioned next to a massive, dark, cylindrical structure that is part of a larger building. The structure is supported by a complex network of blue steel beams and scaffolding. In the background, a body of water stretches across the horizon, with a line of green hills or mountains visible in the distance. The overall scene conveys a sense of large-scale engineering and infrastructure development.

THE FLETCHER BUILDING DIGITAL STORY

Using SAFe to drive Digital Transformation

<DATE>

<VERSION>

About Fletcher Building



Australia

Laminex, Fletcher, iplex, O'Brien, Stramit, Trade-In, Rocla

New Zealand

GIB, PuroMark, Fletcher, Fletcher Steel, HIGGINS, Fletcher Steel, easysteel, Pacific, DiversiLiving, Dimed, Laminex, Fletcher, ITACO, CPT, CLEVER CORE

South Pacific

Fletcher Building has operations in Papua New Guinea, Fiji, Samoa and American Samoa, Tonga, Vanuatu and the Solomon Islands.

'Improving the world around us through smart thinking, simply delivered' is our purpose.

We are driven through efforts to create a better more sustainable world. We want to be smart and innovative in all we do, making our customers' lives easier in the process.

Fletcher Building builds homes, buildings and infrastructure that creates communities, improves productivity, and contributes to the quality of life for people living and working in cities and regions across New Zealand, Australia and the South Pacific.

Our impact spans the full construction value chain. We operate businesses from resource extraction, product manufacture and distribution, through to property development and infrastructure construction.

Fletcher Building is dual listed on the NZX and ASX and operates through six divisions – Building Products, Distribution, Concrete, Residential and Development, Construction, and Australia.

People in New Zealand, Australia and the South Pacific

14,500+

Revenue	Net earnings / (loss) – reported:
\$8,120m	\$305m
2020 \$7,309m	2020 (\$196m)
EBIT before significant items ⁽¹⁾	EBIT margin before significant items ⁽¹⁾
\$669m	8.2%
2020 \$160m	2020 2.2%
Cash flows from operating activities	Leverage ratio (net debt/EBITDA)
\$889m	0.2x
2020 \$410m	2020 0.9x
Earnings per share	Total dividend
37.0¢	30.0¢
2020 (23.5¢)	2020 nil

Safety TRIFR ⁽²⁾

5.0

2020 5.7

Employee engagement

66%

2019⁽³⁾ 71%

Carbon emissions

1,145,035

tCO₂e

2020 1,146,851 tCO₂e

Customer NPS ⁽⁴⁾

41

2020 40



THE CHALLENGE



Digital Revenue in 2019



\$0

Customers across all industries were expecting more.....



Customers across all industries are increasingly expecting more – regardless of whether they're B2C or B2B. Our customers are no different – they want us to make their lives easier so they can focus on value-adding activities. Our customers want:

- **Faster & more reliable deliveries** – Delivering on time & in full is the bare minimum they expect. They want it faster. They want to see it on its journey through an Uber-style app. They want an easy way to enquire about deliveries without having to play the waiting game, or the need for back & forth phone tags
- **Innovative & customised solutions** – Our customers are constantly battling it out to maintain their own competitive advantage in their own markets
- **Greater transparency** – Our customers want to know what is happening – or even know that something is happening – even if the process is not fully complete (as per the Uber-style delivery example). Our businesses are getting an overwhelming number of responses from customers that they're having to follow-up multiple times before getting a response from our sales / account reps about enquiries
- **Smarter & faster processes** – You can't just have greater transparency with slow / broken processes. Customers are itching to greater efficiency in the way we operate. For example, our customers are asking us to get faster & more comprehensive with quotes, refreshing of product samples etc.
- **More value for money** – Doing things smarter in order to ensure we are providing solutions at lowest delivered cost is key. It is also important that we better understand our customers in real-time through not only what they say, but also by observing how they behave. This will allow us to make sensible pricing decisions for different customer archetypes, and have customers feel more valued as a customer

Our sense of urgency is further compounded by what our competitors are doing....



- Our sense of urgency is further compounded by what our competitors are doing. **There is an undeniable divide between the ‘digital haves’ and ‘digital have nots’ across all industries**, which continues to widen at an accelerated pace due to Covid-19 – our industry is no different
- In our industry, the likes of **Reece & Bunnings** are seeking to extend their leading position through continued focus & investment in digital, while **Mitre 10** in NZ recently decided to move its ERPs to SAP S4 HANA
- While Wesfarmers is not a portfolio of businesses that are all in our sector, given its ownership of Bunnings, it is still an important example for us
- Wesfarmers has invested over \$200m across the Group last year:
 - Since setting up its Advanced Analytics Centre (or AAC) in 2018, Wesfarmers has employed more than 400 data, digital & analytics specialists across the Group. The AAC works with all divisions on a range of use cases and the evolving technical needs of analytics teams
 - Wesfarmers’ Group data platform is now also operational, allowing customer data insights to be shared across divisions

Our technology landscape was fragmented, complex and old



- Up until 2015 each Business Unit / Division ran its own IT with virtually no central coordination

What is our starting position?

Aging Asset Base

- Number of legacy systems with high technical debt
- Critical systems are out of support
- Dated systems impair customer and user experience
- Heavy reliance on bespoke systems and manual processes



Connected devices

25,000 user devices
40 SOEs, 200 PC Types
Supporting 700+ sites



12 Networks

5+ Global carriers
15 Access methods

Complexity

- Distributed ERP adds complexity and inhibits change agility
- Complexity increases operational risk and cost
- Core systems are extensively customised



Applications

6,500 Windows apps
72 ERP instances
19 Email systems, 36 Intranets
160+ Web sites, 19 Payrolls



20 IT Teams

20 Data Centres
2,500 servers
19 Service Desks

Fragmented Data Sets

- Customer information is fragmented
- Disparate product set utilised at different sites
- Product data is manually managed



Usability

- Limited mobility support
- Digital channel capability is immature presenting poor customer experience



We were at a critical juncture



- From a technology perspective – we needed to move away from the traditional FB approach where technology solutions have been implemented on a BU by BU which has led to:
 - A **proliferation of different applications** that provide the same business solutions
 - Which in turn **increases support costs** as multiple teams / vendors are required to support multiple different solutions
 - **Missed opportunity to create leverage** by consolidating on one platform, resulting in one support team, sharing of code basis, development methods
 - **Leverage FB's scale** enabling all business units regardless of size to create a digital brand

The challenge Fletcher Building faced was...



How to build an E-commerce platform that all BUs could share

Whilst retaining full branding capabilities for their service offerings

Utilising agile ways of working to provide the velocity of change needed.



RETHINKING OUR APPROACH

Training the elephant



We had to rethink our whole approach to building solutions



- Building Capability:
 - **Speed, agility, reliability, security**
 - Accept uncertainty – try, learn, iterate
- To do this required us to consider all aspects of how we would build the solution:
 - Solution Architecture – flexibility
 - Master Data Management – clear vision
 - Technology choices – proven strategic solutions with innovation
 - Partnerships – proven partners and grow together
 - Devops / CI-CD / Automated testing
 - **Delivery Method – think differently and adopt scaled agile**



PLACEMAKERS



PlaceMakers



Than the World was Ending

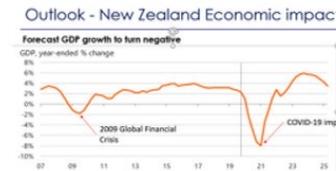
How did we choose scaled agile?

Starting the journey:

- Pretty Agile
- Product Side
- Technology Side
- COVID

Performance over the last 4 years

- Product Launch
- Release Cadence
- Predictability
- Financial Results



COVID-19 Impact 2-3 worse than the GFC

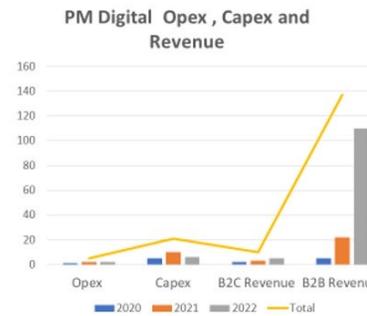


PlaceMakers and GT Restructures - Cost Challenges



NZD EBIT Forecasted to drop from \$90M to \$35M

Achieved Amazing Results



"On track to beat our \$110M annual revenue target"



"We have built world class products our customers love. Best Trade products in our Industry"



Launched Fletcher's first Analytics business team



"Respected by our Peers and the Industry"



Pioneered Scale Agile in Fletcher Building

LAMINEX



Laminex



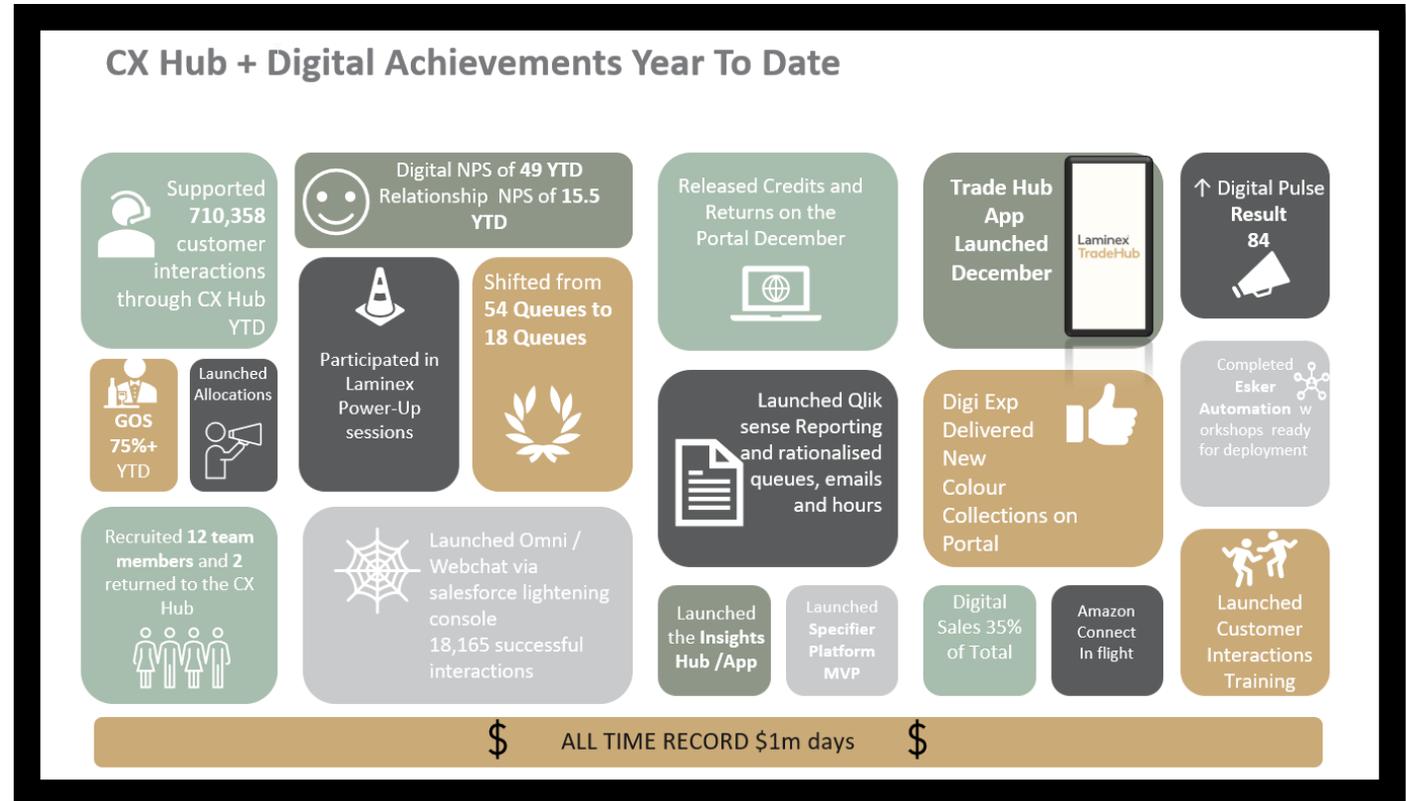
Why moved to Scaled Agile?

- Speed

Starting the journey

- Training
- Second PI
- Results

Comparing Waterfall with Scaled Agile





PERFORMANCE



But the value benefits has exceed expectations



Quicker to market

- By adopting this approach, we were able to reduce the amount of time and cost to build an E-Commerce portal and Mobile application by approximately 50% per BU (For example, the original PlaceMakers Application and Portal took 12 - 14 months to be launched; Utilising this revised approach both Tradelink and Mico launched Portals and an Application in just over six months).
- We also managed to launch two new BU sites for Stramit and Fletcher Insulation in the preceding six months meaning four major E-Commerce sites were launched in just over a 12-month period

Revenue Growth

- From a business perspective we have seen FB Digital revenue grow in the hundreds of millions in the 12 months compared to the tens of millions the previous year (a growth rate of more than 200%)

Better quality

- Furthermore, we have seen Customer Satisfaction ratings rise across all our Digital products (One BU has a Customer Satisfaction rating for its Digital products on 92%)

Speed and Agility

- We also improved the agility of the business because are delivery features to our customers faster than we have done so in the past (some BU's releasing new features every three weeks). During COVID, this improved speed and agility allowed us to pivot the teams to focus on features that would help customers continue to work during the lockdown period.

In short FB has seen phenomenal growth FY22 in the number and quality of its E-Commerce offerings and the amount of customer use and revenue that flow through them.

Digital Revenue in 2022



\$300+

SAFe benefits at PlaceMakers



We have seen strong improvements in **time to market, productivity, quality and engagement** at PlaceMakers over **the last 10 Program Increment's** since implementing SAFe
(Now being implemented across FB E-Commerce programs)

92% of customers rate the Trade Portal as great/amazing



Only
3 months
between launch
of Trade App and
Trade Portal



Releases every
3 weeks
across all portals



Releases are
4x faster than
pre-SAFe Levels



Revenue at June
2021



Team
engagement
above
98%



Ran **26,000**
automated tests
in the last year



WHAT MAKES THIS SPECIAL



What makes this special....



- The key differentiator that separates our work is that we:
 - had to create, **innovative rich omni channels customers experiences at pace within a large complex portfolio organisation like FB**
 - Furthermore, most FB's customers are in the **B2B Builders who have not traditionally adopted new digital technologies.**
- It is significantly easier to move at pace in **smaller organisations** that have a **less complex organisational operating model, less ingrained traditional ways of working and less complex technology landscape.** Similarly, customers in the **B2C retail segment** are quicker and more open to adopt change than B2B customers.
- We had to **completely change the way FB typically implements technology solutions**, from our architecture (standard Microservice based architecture), through to our choice of product (Mulesoft, Sap CCv2) to our delivery method (Scaled Agile) all against the backdrop of COVID and the different pressures it has brought
- The results we have achieved are impressive by themselves:
 - 4 new E-Commerce products in 12 months
 - Halved the time and cost to deliver these products
 - Achieved exponential growth in Digital Revenue across the group into the hundreds of millions; and
 - Achieved Customer Satisfaction scores in the 90's
- **But to do so against the challenges outlined and, in the process, to start to transform the business, technology and more importantly our customers lives to help make them more successful is truly unique.**